



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2018-2017**

**OHIO AUDITOR OF STATE  
KEITH FABER**





**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY  
DECEMBER 31, 2018 AND 2017**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

City of Canal Winchester  
Franklin County  
36 S High Street  
Canal Winchester, Ohio 43110

To the City 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 Canal Winchester, Franklin County, Ohio (the City), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for 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 such 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 Canal Winchester, Franklin County, Ohio, as of December 31, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Gender Road TIF Funds thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

**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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 November 19, 2019, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

November 19, 2019



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

The management's discussion and analysis of the City of Canal Winchester's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. 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 2018 are as follows:

- The total net position of the City increased \$6,514,383 from 2017 restated net position. Net position of governmental activities increased \$5,518,619 or 31% over the restated 2017 net position of \$17,529,835 and net position of business-type activities increased \$995,764 or 2% from 2017 restated net position of \$47,071,045.
- General revenues accounted for \$9,545,909 of total governmental activities revenue. Program specific revenues accounted for \$2,607,461 or 21% of total governmental activities revenue.
- The City had \$6,610,446 in expenses related to governmental activities; \$2,607,461 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$4,002,985 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$9,545,909.
- The general fund had revenues and other financing sources of \$10,728,733 in 2018 and expenditures and other financing uses of \$7,870,772. The net increase in fund balance for the general fund was \$2,857,961 or 41%.
- The debt service fund had other financing sources of \$1,240,000 in 2018. The expenditures and other financing uses of the debt service fund, totaled \$1,247,274 in 2018. The net decrease in fund balance for the debt service fund was \$7,274 from prior year.
- The gender road tax increment financing fund had revenues of \$252,551 and expenditures of \$147,355. The net increase in fund balance was \$105,196.

**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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

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.

**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 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 net 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, 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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

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 focuses on the City's most significant funds.

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. 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, debt service fund and the gender road tax increment financing 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.

***Proprietary Funds***

The City maintains one type of proprietary funds. 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 enterprise funds are considered major funds.

***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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

The accounting used for fiduciary funds is much like that used for proprietary funds.

**Government-Wide Financial Analysis**

The statement of net position serves as a useful indicator of a government's financial position. The table below provides a summary of the City's net position for 2018 and 2017.

	<b>Net Position</b>					
	Governmental Activities 2018	Business-type Activities 2018	Governmental Activities 2017 (Restated)	Business-type Activities 2017 (Restated)	Total 2018	Total 2017 (Restated)
<b>Assets</b>						
Current and other assets	\$ 14,489,809	\$ 10,543,290	\$ 11,399,163	\$ 9,095,855	\$ 25,033,099	\$ 20,495,018
Nondepreciable capital assets	4,883,338	1,165,297	3,972,455	1,226,527	6,048,635	5,198,982
Depreciable capital assets, net	14,766,555	43,625,174	14,061,579	45,028,089	58,391,729	59,089,668
Capital assets, net	<u>19,649,893</u>	<u>44,790,471</u>	<u>18,034,034</u>	<u>46,254,616</u>	<u>64,440,364</u>	<u>64,288,650</u>
Total assets	<u>34,139,702</u>	<u>55,333,761</u>	<u>29,433,197</u>	<u>55,350,471</u>	<u>89,473,463</u>	<u>84,783,668</u>
<b>Deferred outflows of resources</b>	<u>509,678</u>	<u>251,738</u>	<u>948,999</u>	<u>417,633</u>	<u>761,416</u>	<u>1,366,632</u>
<b>Liabilities</b>						
Current and other liabilities	415,080	209,161	707,681	248,570	624,241	956,251
Long-term liabilities:						
Due within one year	1,136,062	697,523	1,093,680	1,106,228	1,833,585	2,199,908
Net pension liability	1,365,695	672,657	1,999,929	1,030,266	2,038,352	3,030,195
Net OPEB liability	1,004,113	517,269	931,518	479,874	1,521,382	1,411,392
Due in more than one year	<u>6,355,718</u>	<u>5,204,760</u>	<u>7,248,862</u>	<u>5,822,966</u>	<u>11,560,478</u>	<u>13,071,828</u>
Total liabilities	<u>10,276,668</u>	<u>7,301,370</u>	<u>11,981,670</u>	<u>8,687,904</u>	<u>17,578,038</u>	<u>20,669,574</u>
<b>Deferred inflows of resources</b>	<u>1,324,258</u>	<u>217,320</u>	<u>870,691</u>	<u>9,155</u>	<u>1,541,578</u>	<u>879,846</u>
<b>Net Position</b>						
Net investment in capital assets	12,296,884	39,132,040	9,840,694	39,563,230	51,428,924	49,403,924
Restricted:						
Capital projects	206,415	-	265,662	-	206,415	265,662
Transportation	2,351,448	-	2,006,157	-	2,351,448	2,006,157
Leisure time activity	242,345	-	181,300	-	242,345	181,300
Other	39,112	-	31,972	-	39,112	31,972
Community environment	9,442	-	7,262	-	9,442	7,262
Unrestricted	<u>7,902,808</u>	<u>8,934,769</u>	<u>5,196,788</u>	<u>7,507,815</u>	<u>16,837,577</u>	<u>12,704,603</u>
Total net position	<u>\$ 23,048,454</u>	<u>\$ 48,066,809</u>	<u>\$ 17,529,835</u>	<u>\$ 47,071,045</u>	<u>\$ 71,115,263</u>	<u>\$ 64,600,880</u>

The net pension liability (NPL) is one of the largest liabilities reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27". For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability or net OPEB liability*. GASB 68 and GASB 75 takes an earnings approach to pension and OPEB accounting: however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017 from \$18,450,000 to \$17,529,835 for governmental activities and from \$47,545,070 to \$47,071,045 for business-type activities.

Over time, net position can serve as a useful indicator of a government's financial position. At year-end, net position was \$71,115,263, which comprised \$23,048,454 and \$48,066,809 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 57% and 81% of total assets and deferred outflows of resources for the governmental activities and business-type activities, respectively. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, intangibles, construction in progress and infrastructure. The City's net investment in capital assets at December 31, 2018, were \$12,296,884 and \$39,132,040 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. A portion of the City's net position, \$2,848,762 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 \$7,902,808 may be used to meet the government's ongoing obligations to citizens and creditors. The following table shows the changes in net position for 2018 and 2017.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

**Change in Net Position**

	Governmental Activities 2018	Business-type Activities 2018	Governmental Activities 2017 (Restated)	Business-type Activities 2017 (Restated)	Total 2018	Total 2017 (Restated)
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 1,568,278	\$ 5,362,740	\$ 1,193,354	\$ 5,065,640	\$ 6,931,018	\$ 6,258,994
Operating grants and contributions	455,835	-	398,852	-	455,835	398,852
Capital grants and contributions	583,348	-	-	-	583,348	-
<b>Total program revenues</b>	<b>2,607,461</b>	<b>5,362,740</b>	<b>1,592,206</b>	<b>5,065,640</b>	<b>7,970,201</b>	<b>6,657,846</b>
General revenues:						
Property and other local taxes	506,203	-	386,748	-	506,203	386,748
Income taxes	7,375,176	-	6,929,927	-	7,375,176	6,929,927
Lodging taxes	59,667	-	93,834	-	59,667	93,834
Payment in lieu of taxes	463,810	-	241,547	-	463,810	241,547
Grants and entitlements	147,405	-	141,684	-	147,405	141,684
Investment earnings	93,948	-	92,561	-	93,948	92,561
Contributions and donations	55,000	-	50,000	-	55,000	50,000
Other	844,700	64,569	674,541	9,247	909,269	683,788
<b>Total general revenues</b>	<b>9,545,909</b>	<b>64,569</b>	<b>8,610,842</b>	<b>9,247</b>	<b>9,610,478</b>	<b>8,620,089</b>
<b>Total revenues</b>	<b>12,153,370</b>	<b>5,427,309</b>	<b>10,203,048</b>	<b>5,074,887</b>	<b>17,580,679</b>	<b>15,277,935</b>
Program Expenses:						
General government	2,693,182	-	3,516,392	-	2,693,182	3,516,392
Security of persons and property	999,519	-	984,202	-	999,519	984,202
Public health and welfare	135,838	-	184,418	-	135,838	184,418
Transportation	1,230,053	-	1,118,989	-	1,230,053	1,118,989
Community environment	678,035	-	549,429	-	678,035	549,429
Leisure time activity	553,196	-	569,488	-	553,196	569,488
Interest and fiscal charges	320,623	-	227,941	-	320,623	227,941
Bond issuance costs	-	-	30,310	-	-	30,310
Sewer operating	-	2,292,663	-	2,422,092	2,292,663	2,422,092
Water operating	-	1,842,499	-	1,874,582	1,842,499	1,874,582
Storm water operating	-	320,688	-	374,056	320,688	374,056
<b>Total expenses</b>	<b>6,610,446</b>	<b>4,455,850</b>	<b>7,181,169</b>	<b>4,670,730</b>	<b>11,066,296</b>	<b>11,851,899</b>
Transfers	(24,305)	24,305	-	-	-	-
<b>Increase (decrease) in net position</b>	<b>5,518,619</b>	<b>995,764</b>	<b>3,021,879</b>	<b>404,157</b>	<b>6,514,383</b>	<b>3,426,036</b>
Net position beginning of year	17,529,835	47,071,045	NA	NA	64,600,880	NA
<b>Net position end of year</b>	<b>\$ 23,048,454</b>	<b>\$ 48,066,809</b>	<b>\$ 17,529,835</b>	<b>\$ 47,071,045</b>	<b>\$ 71,115,263</b>	<b>\$ 64,600,880</b>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

**Governmental Activities**

Governmental activities net position increased \$5,518,619 in 2018 which is a result of higher general revenues, specifically income taxes and other revenues.

Security of persons and property, which primarily supports the operations of the Fairfield County Sheriff's department, was \$999,519 or 15% of total City expenses. General government expenses totaled \$2,693,182 and were partially funded by \$1,228,000 in direct charges to users of the services.

The State government contributed to the City a total of \$455,835 in operating grants and contributions and \$583,348 in capital grants and contributions. These revenues are restricted to transportation purposes.

General revenues totaled \$9,545,909 and primarily consist of property and income tax revenue of \$7,881,379.

The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2018 compared to 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

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

	Governmental Activities			
	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 2,693,182	\$ 1,465,182	\$ 3,516,392	\$ 2,642,626
Security of persons & property	999,519	999,519	984,202	984,202
Public health and welfare	135,838	133,658	184,418	117,045
Transportation	1,230,053	130,449	1,118,989	671,500
Community environment	678,035	678,035	549,429	549,429
Leisure time activity	553,196	275,519	569,488	365,910
Interest and fiscal charges	320,623	320,623	227,941	227,941
Bond issuance costs	-	-	30,310	30,310
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 6,610,446</u>	<u>\$ 4,002,985</u>	<u>\$ 7,181,169</u>	<u>\$ 5,588,963</u>

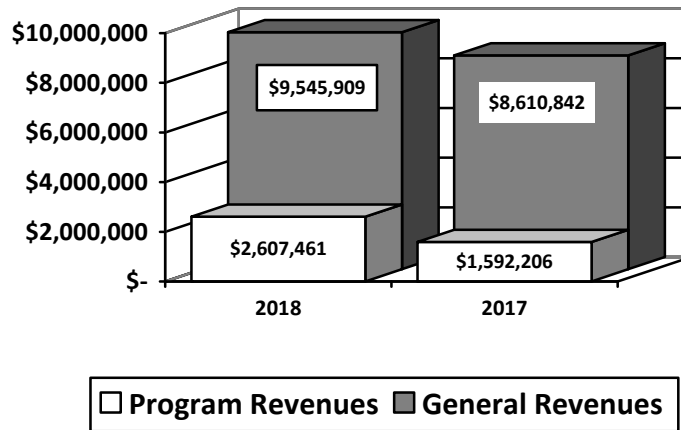


**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

The chart below illustrates the City's program revenues versus general revenues for 2018 and 2017.

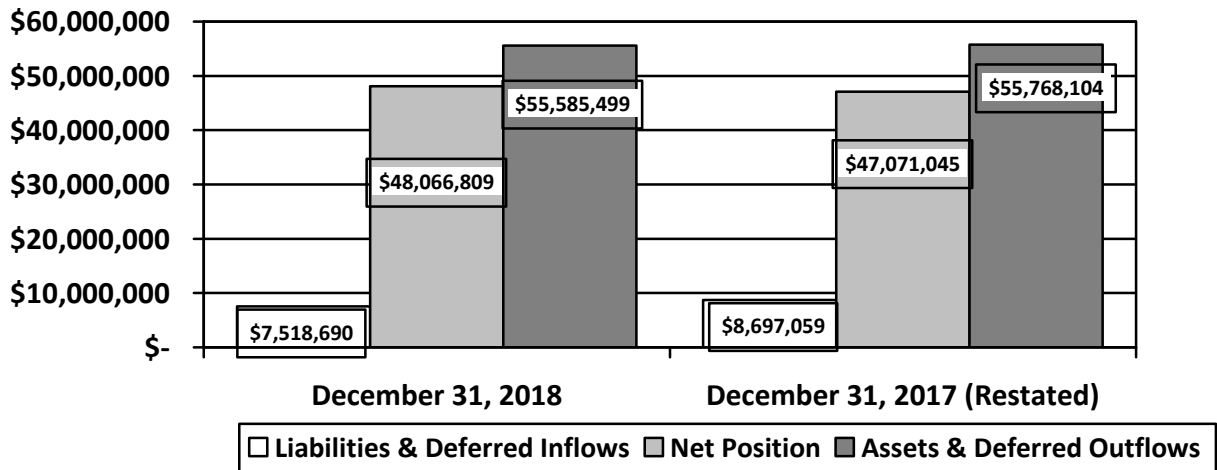
**Governmental Activities – General and Program Revenues**



**Business-type Activities**

Business-type activities include the water, sewer, and storm water enterprise funds. These programs had program revenues of \$5,362,740 and expenses of \$4,455,850 for 2018. The graph below shows the business-type activities assets, deferred outflows, liabilities and deferred inflows and net position at year-end.

**Net Position in Business - Type Activities**



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

**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 reported a combined fund balance of \$12,430,000 which is \$3,319,229 higher than last year's total of \$9,110,771. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2018 for all major and non-major governmental funds.

	Fund Balances 12/31/2018	Fund Balances 12/31/2017	Increase (Decrease)
Major funds:			
General fund	\$ 9,880,509	\$ 7,022,548	\$ 2,857,961
Debt service fund	57,036	64,310	(7,274)
Gender road tif fund	(210,409)	(315,605)	105,196
Other nonmajor governmental funds	2,702,864	2,339,518	363,346
Total	<u>\$ 12,430,000</u>	<u>\$ 9,110,771</u>	<u>\$ 3,319,229</u>

**General Fund**

The City's general fund balance increased \$2,857,961. The table that follows assists in illustrating the revenues of the general fund.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

	2018 <u>Amount</u>	2017 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 8,001,700	\$ 7,470,643	7.11 %
Intergovernmental	149,037	140,045	6.42 %
Special assessments	196,925	195,141	0.91 %
Charges for services	147,202	126,088	16.75 %
Fines, licenses and permits	1,191,573	775,744	53.60 %
Rental income	20,050	14,465	38.61 %
Investment income	77,286	89,992	(14.12) %
Other	841,570	670,493	25.52 %
<b>Total</b>	<b><u>\$ 10,625,343</u></b>	<b><u>\$ 9,482,611</u></b>	<b><u>12.05 %</u></b>

The City's largest revenue source in the general fund was tax revenue, which represents 75% of all general fund revenue. Tax revenues increased 7.11% due primarily to an increase in income tax collections. The table that follows assists in illustrating the expenditures of the general fund.

	2018 <u>Amount</u>	2017 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 2,482,698	\$ 3,291,439	(24.57) %
Security of persons and property	999,519	984,202	1.56 %
Public health and welfare	135,838	129,418	4.96 %
Transportation	538,420	679,638	(20.78) %
Community environment	691,999	596,074	16.09 %
Leisure time activity	461,840	455,260	1.45 %
Capital outlay	1,107,766	1,180,327	(6.15) %
Debt service	212,692	144,337	47.36 %
<b>Total</b>	<b><u>\$ 6,630,772</u></b>	<b><u>\$ 7,460,695</u></b>	<b><u>(11.12) %</u></b>

Capital outlay expenditures represent money spent on infrastructure and other capital related projects for the City. These expenditures were flat from 2017.

***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. In the general fund, the actual revenues and other financing sources came in \$2,014,054 higher than they were in the final budget and actual expenditures and other financing uses were \$1,851,270 less than the amount in the final budget.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

***Debt Service Fund***

The debt service fund had other financing sources of \$1,240,000 in 2018. The expenditures and other financing uses of the debt service fund, totaled \$1,247,274 in 2018. The net decrease in fund balance for the debt service fund was \$7,274 from prior year.

***Gender Road TIF Fund***

The gender road tax increment financing fund had revenues of \$252,551 and expenditures of \$147,355. The net increase in fund balance was \$105,196.

***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.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2018, the City had \$64,440,364 (net of accumulated depreciation) invested in land, construction in progress, intangibles, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Of this total, \$19,649,893 was reported in governmental activities and \$44,790,471 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2018 balances compared to 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,126,719	\$ 3,027,994	\$ 913,400	\$ 913,400	\$ 4,040,119	\$ 3,941,394
Construction in progress	1,499,372	687,214	191,336	252,566	1,690,708	939,780
Intangibles	257,247	257,247	60,561	60,561	317,808	317,808
Land improvements	1,045,392	865,017	-	-	1,045,392	865,017
Building & improve.	4,626,591	4,730,037	10,192,561	10,460,289	14,819,152	15,190,326
Equipment	513,817	550,716	1,039,203	938,875	1,553,020	1,489,591
Vehicles	377,268	312,328	114,645	139,979	491,913	452,307
Infrastructure	8,203,487	7,603,481	32,278,765	33,488,946	40,482,252	41,092,427
Totals	<u>\$ 19,649,893</u>	<u>\$ 18,034,034</u>	<u>\$ 44,790,471</u>	<u>\$ 46,254,616</u>	<u>\$ 64,440,364</u>	<u>\$ 64,288,650</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

***Debt Administration***

The City had the following debt obligations outstanding at December 31, 2018 and 2017:

	<u>Governmental Activities</u>	
	2018	2017
General obligation bonds	\$ 5,435,757	\$ 6,135,000
OPWC loans	1,059,252	1,230,642
Bond anticipation notes	-	75,000
Lease purchase agreement	175,877	98,367
Land purchase agreement	672,550	741,020
Capital lease obligation	2,114	14,444
Total debt obligations	<u>\$ 7,345,550</u>	<u>\$ 8,294,473</u>
	<u>Business-type Activities</u>	
	2018	2017
Revenue bonds	\$ 1,895,000	\$ 2,185,000
Bond anticipation notes	-	425,000
OPWC loans	813,507	854,459
OWDA loans	3,021,037	3,290,876
Lease purchase agreement	8,737	17,326
Capital lease obligation	-	2,026
Total debt obligations	<u>\$ 5,738,281</u>	<u>\$ 6,774,687</u>

See Notes 13 and 14 to the basic financial statements for detail on the City's debt obligations.

**Economic Factors and Next Year's Budget and Rates**

The City of Canal Winchester's financial condition has continued to improve over the past five years as city leaders continue to closely monitor the revenue and expenditures. Income tax collections, the city's primary source of General Fund revenue, were 11% over projections in 2018. The increased revenue has given the city the opportunity to plan for future construction projects, including upgrading its parks and amenities, and continue to provide a high level of service to its residents.

Local Government funding has continued to be a point of discussion at the State level as the new biennial budget bill makes its way through the legislative process, after reductions were enacted due to budget shortfalls at the State level during the recession. Increases in Local Government revenue from its current level are expected in both State fiscal years 2020 and 2021. However, these increases are not enough to restore funding to pre-recession levels and will continue to impact municipalities around the State. Canal Winchester has been appropriately budgeting to handle the impact of Local Government funding cuts for many years now and will continue to monitor any impact future legislation may have on its budget.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

The Ohio Legislature passed legislation regarding the uniformity of municipal income taxes throughout the State in 2014, which became effective January 1, 2016. Additional legislation was passed in 2017 that created a centralized collection method for municipal net profit taxpayers effective for tax years beginning on or after January 1, 2018. This move is seen by many as the first step towards centralized collection across the state and a detriment to the future of the city's control over its income taxes. Local income taxes continue to be discussed at the State level and any future changes to legislation may affect city revenue. Currently, the extent of any future impact on city income tax revenue is still unknown but is being closely monitored by city officials.

Effective for tax years beginning on or after January 1, 2018, this elective collection method is seen by many as the first step towards centralized collection across the state and a detriment to the future of the city's control over its income taxes. Currently, the extent of the impact on city revenue is still unknown at this time but is being closely monitored by city officials.

In addition, the following items were taken into consideration during preparation of the 2019 budget:

- Residential and commercial development has increased over the last several years. Future growth is expected in the short-term.
- The cost of repair and replacement of City infrastructure continues to increase.
- An equipment replacement schedule is in place to allow for proper planning of high dollar purchases.
- The availability of undeveloped commercial property has decreased in the last several years. This will impact future planning as well as revenue potentially if not addressed in the short term.
- Long term planning initiatives were undertaken in the last two years concentrating on the historic downtown of the city and city owned parks. The recommended improvements that resulted from these plans are being programmed for completion as the budget allows.
- Unemployment rates across Central Ohio continue to improve showing positive signs of economic growth which directly affects certain City revenue streams.
- A growing population, as well as an aging workforce, will require the addition and replacement of staffing over the next several years.

The 2019 Budget reflects the city's continued effort to practice conservative budgetary practices in order to preserve a solid financial position in the future.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Amanda Jackson, Finance Director, City of Canal Winchester, 36 South High Street, Canal Winchester, Ohio 43110-1213.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
DECEMBER 31, 2018

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and investments	\$ 11,396,076	\$ 9,881,349	\$ 21,277,425
Receivables:			
Income taxes	1,254,908	-	1,254,908
Real and other taxes	512,821	-	512,821
Accounts	51,795	561,762	613,557
Payments in lieu of taxes	462,366	-	462,366
Accrued interest	31,742	-	31,742
Special assessments	117,367	-	117,367
Due from other governments	500,340	-	500,340
Prepayments	81,640	46,672	128,312
Materials and supplies inventory	80,754	53,507	134,261
Capital assets:			
Nondepreciable capital assets	4,883,338	1,165,297	6,048,635
Depreciable capital assets, net	14,766,555	43,625,174	58,391,729
Total capital assets, net	<u>19,649,893</u>	<u>44,790,471</u>	<u>64,440,364</u>
Total assets	<u>34,139,702</u>	<u>55,333,761</u>	<u>89,473,463</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding	100,079	79,850	179,929
OPEB	73,892	38,066	111,958
Pension	335,707	133,822	469,529
Total deferred outflows of resources	<u>509,678</u>	<u>251,738</u>	<u>761,416</u>
Total assets and deferred outflows of resources	<u>34,649,380</u>	<u>55,585,499</u>	<u>90,234,879</u>
<b>Liabilities:</b>			
Accounts payable	216,343	122,531	338,874
Retainage payable	107,538	-	107,538
Accrued wages and benefits payable	30,802	15,743	46,545
Due to other governments	39,331	27,576	66,907
Accrued interest payable	21,066	43,311	64,377
Long-term liabilities:			
Due within one year	1,136,062	697,523	1,833,585
Due in more than one year:			
Net OPEB liability	1,004,113	517,269	1,521,382
Net pension liability	1,365,695	672,657	2,038,352
Other amount due in more than one year	6,355,718	5,204,760	11,560,478
Total liabilities	<u>10,276,668</u>	<u>7,301,370</u>	<u>17,578,038</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year	488,103	-	488,103
Payment in lieu of tax revenue not available	462,366	-	462,366
Pension	298,989	178,787	477,776
OPEB	74,800	38,533	113,333
Total deferred inflows of resources	<u>1,324,258</u>	<u>217,320</u>	<u>1,541,578</u>
Total liabilities and deferred inflows of resources	<u>11,600,926</u>	<u>7,518,690</u>	<u>19,119,616</u>
<b>Net position:</b>			
Net investment in capital assets	12,296,884	39,132,040	51,428,924
Restricted for:			
Capital projects	206,415	-	206,415
Transportation	2,351,448	-	2,351,448
Leisure time activity	242,345	-	242,345
Community environment	9,442	-	9,442
Other	39,112	-	39,112
Unrestricted	7,902,808	8,934,769	16,837,577
Total net position	<u>\$ 23,048,454</u>	<u>\$ 48,066,809</u>	<u>\$ 71,115,263</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 2,693,182	\$ 1,228,000	\$ -	\$ -	\$ (1,465,182)	\$ -	\$ (1,465,182)
Security of persons and property	999,519	-	-	-	(999,519)	-	(999,519)
Public health and welfare	135,838	2,180	-	-	(133,658)	-	(133,658)
Transportation	1,230,053	60,421	455,835	583,348	(130,449)	-	(130,449)
Community environment	678,035	-	-	-	(678,035)	-	(678,035)
Leisure time activity	553,196	277,677	-	-	(275,519)	-	(275,519)
Interest and fiscal charges	320,623	-	-	-	(320,623)	-	(320,623)
Total governmental activities	6,610,446	1,568,278	455,835	583,348	(4,002,985)	-	(4,002,985)
<b>Business-type activities:</b>							
Water	1,842,499	2,143,132	-	-	-	300,633	300,633
Sewer	2,292,663	2,961,671	-	-	-	669,008	669,008
Storm water	320,688	257,937	-	-	-	(62,751)	(62,751)
Total business-type activities	4,455,850	5,362,740	-	-	-	906,890	906,890
Total primary government	\$ 11,066,296	\$ 6,931,018	\$ 455,835	\$ 583,348	(4,002,985)	906,890	(3,096,095)
<b>General revenues:</b>							
Property taxes levied for:							
General purposes							
					506,203	-	506,203
Income taxes levied for:							
General purposes							
					7,375,176	-	7,375,176
Lodging taxes levied for:							
Special revenue							
					59,667	-	59,667
Payments in lieu of taxes							
					463,810	-	463,810
Grants and entitlements not restricted to specific programs							
					147,405	-	147,405
Investment earnings							
					93,948	-	93,948
Contributions and donations							
					55,000	-	55,000
Other							
					844,700	64,569	909,269
Total general revenues before transfers					9,545,909	64,569	9,610,478
Transfers					(24,305)	24,305	-
Total general revenues and transfers					9,521,604	88,874	9,610,478
Change in net position					5,518,619	995,764	6,514,383
<b>Net position at beginning of year (Restated)</b>					17,529,835	47,071,045	64,600,880
<b>Net position at end of year</b>					\$ 23,048,454	\$ 48,066,809	\$ 71,115,263

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

	General	Debt Service	Gender Road TIF	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents	\$ 8,577,776	\$ 57,036	\$ 189,591	\$ 2,571,673	\$ 11,396,076
Receivables:	-				
Income taxes	1,254,908	-	-	-	1,254,908
Real and other taxes	505,855	-	-	6,966	512,821
Accounts	50,884	-	-	911	51,795
Payments in lieu of taxes	-	-	263,116	199,250	462,366
Accrued interest	31,742	-	-	-	31,742
Special assessments	117,367	-	-	-	117,367
Interfund	170,204	-	-	-	170,204
Due from other governments	83,872	-	-	416,468	500,340
Advances to other funds	405,000	-	-	-	405,000
Prepayments	79,063	-	-	2,577	81,640
Materials and supplies inventory	41,200	-	-	39,554	80,754
<b>Total assets</b>	<b>\$ 11,317,871</b>	<b>\$ 57,036</b>	<b>\$ 452,707</b>	<b>\$ 3,237,399</b>	<b>\$ 15,065,013</b>
<b>Liabilities:</b>					
Accounts payable	\$ 209,636	\$ -	\$ -	\$ 6,707	\$ 216,343
Retainage payable	107,538	-	-	-	107,538
Accrued wages and benefits payable	27,875	-	-	2,927	30,802
Interfund payable	-	-	-	170,204	170,204
Advances from other funds	-	-	400,000	5,000	405,000
Due to other governments	34,782	-	-	4,549	39,331
<b>Total liabilities</b>	<b>379,831</b>	<b>-</b>	<b>400,000</b>	<b>189,387</b>	<b>969,218</b>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year	488,103	-	-	-	488,103
Delinquent property tax revenue not available	10,786	-	-	-	10,786
Accrued interest not available	19,862	-	-	-	19,862
Special assessments revenue not available	117,367	-	-	-	117,367
Payment in lieu of tax revenue not available	-	-	263,116	199,250	462,366
Income tax revenue not available	351,296	-	-	-	351,296
Nonexchange transactions not available	70,117	-	-	145,898	216,015
<b>Total deferred inflows of resources</b>	<b>1,057,531</b>	<b>-</b>	<b>263,116</b>	<b>345,148</b>	<b>1,665,795</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>1,437,362</b>	<b>-</b>	<b>663,116</b>	<b>534,535</b>	<b>2,635,013</b>
<b>Fund balances:</b>					
Nonspendable	525,263	-	-	42,131	567,394
Restricted	-	-	-	2,660,733	2,660,733
Assigned	975,195	57,036	-	-	1,032,231
Unassigned	8,380,051	-	(210,409)	-	8,169,642
<b>Total fund balances</b>	<b>9,880,509</b>	<b>57,036</b>	<b>(210,409)</b>	<b>2,702,864</b>	<b>12,430,000</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,317,871</b>	<b>\$ 57,036</b>	<b>\$ 452,707</b>	<b>\$ 3,237,399</b>	<b>\$ 15,065,013</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2018

<b>Total governmental fund balances</b>		\$	12,430,000
<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.			19,649,893
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(21,066)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			100,079
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	351,296	
Real and other taxes receivable		10,786	
Intergovernmental receivable		216,015	
Special assessments receivable		117,367	
Investment income receivable		19,862	
Total		715,326	715,326
The net pension and OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:			
Deferred outflows - pension		335,707	
Deferred inflows - pension		(298,989)	
Net pension liability		(1,365,695)	
Deferred outflows - OPEB		73,892	
Deferred inflows - OPEB		(74,800)	
Net OPEB liability		(1,004,113)	
Total		(2,333,998)	(2,333,998)
Long-term liabilities, including bonds, loans and lease payables, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(146,230)	
General obligation bonds payable		(5,435,757)	
Capital lease payable		(2,114)	
OPWC loans payable		(1,059,252)	
Land purchase		(672,550)	
Lease purchase payable		(175,877)	
Total		(7,491,780)	(7,491,780)
<b>Net position of governmental activities</b>		\$	23,048,454

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Debt Service	Gender Road TIF	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Municipal income taxes	\$ 7,489,395	\$ -	\$ -	\$ -	\$ 7,489,395
Real and other taxes	512,305	-	-	59,667	571,972
Charges for services	147,202	-	-	-	147,202
Fines, licenses and permits	1,191,573	-	-	11,438	1,203,011
Payments in lieu of taxes	-	-	252,551	211,259	463,810
Intergovernmental	149,037	-	-	1,029,875	1,178,912
Special assessments	196,925	-	-	-	196,925
Investment income	77,286	-	-	12,014	89,300
Rental income	20,050	-	-	-	20,050
Contributions and donations	-	-	-	55,000	55,000
Other	841,570	-	-	3,130	844,700
<b>Total revenues</b>	<b>10,625,343</b>	<b>-</b>	<b>252,551</b>	<b>1,382,383</b>	<b>12,260,277</b>
<b>Expenditures:</b>					
Current:					
General government	2,482,698	-	147,355	7,543	2,637,596
Security of persons and property	999,519	-	-	-	999,519
Public health and welfare	135,838	-	-	-	135,838
Transportation	538,420	-	-	248,584	787,004
Community environment	691,999	-	-	-	691,999
Leisure time activity	461,840	-	-	53,622	515,462
Capital outlay	1,107,766	-	-	780,952	1,888,718
Debt service:					
Principal retirement	179,099	870,633	-	61,973	1,111,705
Interest and fiscal charges	33,593	274,812	-	3,279	311,684
<b>Total expenditures</b>	<b>6,630,772</b>	<b>1,145,445</b>	<b>147,355</b>	<b>1,155,953</b>	<b>9,079,525</b>
Excess (deficiency) of revenues over (under) expenditures	3,994,571	(1,145,445)	105,196	226,430	3,180,752
<b>Other financing sources (uses):</b>					
Capital lease transaction	25,866	-	-	136,916	162,782
Transfers in	77,524	1,240,000	-	-	1,317,524
Transfers (out)	(1,240,000)	(101,829)	-	-	(1,341,829)
<b>Total other financing sources (uses)</b>	<b>(1,136,610)</b>	<b>1,138,171</b>	<b>-</b>	<b>136,916</b>	<b>138,477</b>
Net change in fund balances	2,857,961	(7,274)	105,196	363,346	3,319,229
<b>Fund balances at beginning of year</b>	<b>7,022,548</b>	<b>64,310</b>	<b>(315,605)</b>	<b>2,339,518</b>	<b>9,110,771</b>
<b>Fund balances at end of year</b>	<b>\$ 9,880,509</b>	<b>\$ 57,036</b>	<b>\$ (210,409)</b>	<b>\$ 2,702,864</b>	<b>\$ 12,430,000</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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, 2018

<b>Net change in fund balances - total governmental funds</b>	\$	3,319,229
<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 depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 2,207,733	
Current year depreciation	<u>(582,736)</u>	
Total		1,624,997
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(9,138)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(106,907)
Proceeds of capital leases 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.		(162,782)
Repayment of bond, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		1,111,705
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		149,980
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension expense in the statement of activities.		(406,920)
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued interest payable		(2,213)
Amortization of deferred amounts on refunding		(12,105)
Amortization of discounts		(5,194)
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>17,967</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>5,518,619</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Municipal income taxes	\$ 6,400,000	\$ 6,400,000	\$ 7,086,715	\$ 686,715
Real and other taxes	460,000	460,000	505,339	45,339
Charges for services	116,000	116,000	147,202	31,202
Licenses, permits and fees	774,600	774,600	1,181,273	406,673
Intergovernmental	136,300	136,300	148,649	12,349
Special assessments	196,500	196,500	196,925	425
Investment income	80,000	80,000	145,640	65,640
Rental income	19,500	19,500	20,050	550
Other	35,000	35,000	840,661	805,661
Total revenues	<u>8,217,900</u>	<u>8,217,900</u>	<u>10,272,454</u>	<u>2,054,554</u>
<b>Expenditures:</b>				
Current:				
General government	3,046,042	3,304,364	2,892,619	411,745
Security of persons and property	1,271,762	1,435,523	1,268,041	167,482
Public health and welfare	152,758	168,816	151,152	17,664
Transportation	888,524	1,371,024	1,052,253	318,771
Community environment	790,383	851,287	734,978	116,309
Leisure time activity	536,364	547,687	515,738	31,949
Capital outlay	1,007,800	1,311,001	986,675	324,326
Debt service:				
Principal retirement	104,300	104,300	92,282	12,018
Interest and fiscal charges	23,500	23,500	22,494	1,006
Total expenditures	<u>7,821,433</u>	<u>9,117,502</u>	<u>7,716,232</u>	<u>1,401,270</u>
Excess of revenues over (under) expenditures	<u>396,467</u>	<u>(899,602)</u>	<u>2,556,222</u>	<u>3,455,824</u>
<b>Other financing sources (uses):</b>				
Advances in	40,000	40,000	-	(40,000)
Transfers (out)	(1,240,000)	(1,690,000)	(1,240,000)	450,000
Sale of assets	500	500	-	(500)
Total other financing sources (uses)	<u>(1,199,500)</u>	<u>(1,649,500)</u>	<u>(1,240,000)</u>	<u>409,500</u>
Net change in fund balances	(803,033)	(2,549,102)	1,316,222	3,865,324
<b>Fund balance at beginning of year</b>	5,988,794	5,988,794	5,988,794	-
<b>Prior year encumbrances appropriated</b>	704,608	704,608	704,608	-
<b>Fund balance at end of year</b>	<u>\$ 5,890,369</u>	<u>\$ 4,144,300</u>	<u>\$ 8,009,624</u>	<u>\$ 3,865,324</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENDER ROAD TIF FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Payments in lieu of taxes	\$ 120,000	\$ 120,000	\$ 252,551	\$ 132,551
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>252,551</u>	<u>132,551</u>
<b>Expenditures:</b>				
Current:				
General government	84,000	188,000	147,354	40,646
Total expenditures	<u>84,000</u>	<u>188,000</u>	<u>147,354</u>	<u>40,646</u>
Net change in fund balances	36,000	(68,000)	105,197	173,197
<b>Fund balance at beginning of year</b>	84,394	84,394	84,394	-
<b>Fund balance at end of year</b>	<u>\$ 120,394</u>	<u>\$ 16,394</u>	<u>\$ 189,591</u>	<u>\$ 173,197</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2018

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 3,272,694	\$ 6,490,510	\$ 118,145	\$ 9,881,349
Receivables:				
Accounts	239,154	282,297	40,311	561,762
Prepayments	23,129	18,506	5,037	46,672
Materials and supplies inventory	35,122	18,385	-	53,507
<b>Total current assets</b>	<b>3,570,099</b>	<b>6,809,698</b>	<b>163,493</b>	<b>10,543,290</b>
Noncurrent assets:				
Capital assets:				
Land and construction in progress	1,129,282	14,526	21,489	1,165,297
Depreciable capital assets, net	13,062,137	22,765,517	7,797,520	43,625,174
<b>Total capital assets, net</b>	<b>14,191,419</b>	<b>22,780,043</b>	<b>7,819,009</b>	<b>44,790,471</b>
<b>Total assets</b>	<b>17,761,518</b>	<b>29,589,741</b>	<b>7,982,502</b>	<b>55,333,761</b>
<b>Deferred outflows of resources:</b>				
Unamortized deferred charges on debt refunding	-	79,850	-	79,850
OPEB	17,913	16,794	3,359	38,066
Pension	49,307	70,429	14,086	133,822
<b>Total deferred outflows of resources</b>	<b>67,220</b>	<b>167,073</b>	<b>17,445</b>	<b>251,738</b>
<b>Total assets and deferred outflows of resources</b>	<b>17,828,738</b>	<b>29,756,814</b>	<b>7,999,947</b>	<b>55,585,499</b>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	57,862	64,243	426	122,531
Accrued wages and benefits payable	7,152	7,103	1,488	15,743
Compensated absences payable - current	38,335	31,650	5,487	75,472
Due to other governments	15,990	9,850	1,736	27,576
Accrued interest payable	30,737	12,574	-	43,311
Revenue bonds payable	-	295,000	-	295,000
OWDA loans payable	227,739	49,264	-	277,003
OPWC loans payable	29,078	12,233	-	41,311
Capital lease obligations payable	3,265	2,207	3,265	8,737
<b>Total current liabilities</b>	<b>410,158</b>	<b>484,124</b>	<b>12,402</b>	<b>906,684</b>
Long-term liabilities:				
Compensated absences payable	36,136	42,441	9,953	88,530
Revenue bonds payable	-	1,600,000	-	1,600,000
OWDA loans payable	2,064,214	679,820	-	2,744,034
OPWC loans payable	712,406	59,790	-	772,196
Net OPEB liability	243,421	228,207	45,641	517,269
Net pension liability	305,753	305,753	61,151	672,657
<b>Total long-term liabilities</b>	<b>3,361,930</b>	<b>2,916,011</b>	<b>116,745</b>	<b>6,394,686</b>
<b>Total liabilities</b>	<b>3,772,088</b>	<b>3,400,135</b>	<b>129,147</b>	<b>7,301,370</b>
<b>Deferred inflows of resources:</b>				
Pension	92,788	71,666	14,333	178,787
OPEB	18,133	17,000	3,400	38,533
<b>Total deferred inflows of resources</b>	<b>110,921</b>	<b>88,666</b>	<b>17,733</b>	<b>217,320</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>3,883,009</b>	<b>3,488,801</b>	<b>146,880</b>	<b>7,518,690</b>
<b>Net position:</b>				
Net investment in capital assets	11,154,717	20,161,579	7,815,744	39,132,040
Unrestricted	2,791,012	6,106,434	37,323	8,934,769
<b>Total net position</b>	<b>\$ 13,945,729</b>	<b>\$ 26,268,013</b>	<b>\$ 7,853,067</b>	<b>\$ 48,066,809</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**Business-type Activities - Enterprise Funds**

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$ 1,591,177	\$ 2,014,534	\$ 257,937	\$ 3,863,648
Tap-in fees	551,955	947,137	-	1,499,092
Other operating revenues	170	63,611	788	64,569
Total operating revenues	<u>2,143,302</u>	<u>3,025,282</u>	<u>258,725</u>	<u>5,427,309</u>
<b>Operating expenses:</b>				
Personal services	512,345	464,261	101,735	1,078,341
Contract services	384,806	597,759	8,142	990,707
Materials and supplies	277,578	69,869	845	348,292
Depreciation	602,578	1,090,516	206,727	1,899,821
Total operating expenses	<u>1,777,307</u>	<u>2,222,405</u>	<u>317,449</u>	<u>4,317,161</u>
Operating income (loss)	<u>365,995</u>	<u>802,877</u>	<u>(58,724)</u>	<u>1,110,148</u>
<b>Nonoperating expenses:</b>				
Interest and fiscal charges	(65,192)	(70,258)	(3,239)	(138,689)
Total nonoperating expenses	<u>(65,192)</u>	<u>(70,258)</u>	<u>(3,239)</u>	<u>(138,689)</u>
Income (loss) before contributions and transfers	300,803	732,619	(61,963)	971,459
Transfer in	-	6,663	17,642	24,305
Change in net position	300,803	739,282	(44,321)	995,764
<b>Net position at beginning of year (Restated)</b>	<u>13,644,926</u>	<u>25,528,731</u>	<u>7,897,388</u>	<u>47,071,045</u>
<b>Net position at end of year</b>	<u>\$ 13,945,729</u>	<u>\$ 26,268,013</u>	<u>\$ 7,853,067</u>	<u>\$ 48,066,809</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 1,574,847	\$ 2,058,267	\$ 257,736	\$ 3,890,850
Cash received from tap-in fees	551,955	947,137	-	1,499,092
Cash received from other operations	170	63,611	788	64,569
Cash payments for personal services	(452,174)	(475,883)	(98,698)	(1,026,755)
Cash payments for contract services	(369,383)	(615,372)	(9,890)	(994,645)
Cash payments for materials and supplies	(318,162)	(82,199)	(845)	(401,206)
	<u>987,253</u>	<u>1,895,561</u>	<u>149,091</u>	<u>3,031,905</u>
Net cash provided by operating activities				
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(251,962)	(156,052)	(27,662)	(435,676)
Principal payments on bond anticipation notes	-	(160,837)	(248,462)	(409,299)
Principal retirement on revenue bonds	-	(290,000)	-	(290,000)
Principal retirement on capital lease	(3,224)	(4,167)	(3,224)	(10,615)
Principal retirement on OWDA loans	(221,603)	(48,236)	-	(269,839)
Principal retirement on OPWC loans	(29,078)	(11,874)	-	(40,952)
Interest and fiscal charges	(67,753)	(75,357)	(165)	(143,275)
	<u>(573,620)</u>	<u>(746,523)</u>	<u>(279,513)</u>	<u>(1,599,656)</u>
Net cash used in capital and related financing activities				
Net increase (decrease) in cash and cash equivalents	413,633	1,149,038	(130,422)	1,432,249
Cash and cash equivalents at beginning of year	2,859,061	5,341,472	248,567	8,449,100
Cash and cash equivalents at end of year	<u>\$ 3,272,694</u>	<u>\$ 6,490,510</u>	<u>\$ 118,145</u>	<u>\$ 9,881,349</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 365,995	\$ 802,877	\$ (58,724)	\$ 1,110,148
Adjustments:				
Depreciation	602,578	1,090,516	206,727	1,899,821
Changes in assets, deferred outflows, liabilities and deferred inflows				
(Increase) decrease in accounts receivable	(16,330)	43,733	(201)	27,202
Decrease (increase) in materials and supplies inventory	(17,039)	(12,171)	-	(29,210)
Increase in accrued wages and benefits	895	1,098	(98)	1,895
Increase in retainage payable	-	(10,045)	-	(10,045)
Increase (decrease) in accounts payable	19,771	(35,877)	152	(15,954)
Increase (decrease) in compensated absences payable	5,615	4,279	(399)	9,495
(Increase) decrease in deferred outflows of resources	85,292	55,955	11,151	152,398
Increase (decrease) in net pension liability	(179,078)	(148,776)	(29,755)	(357,609)
Increase (decrease) in net OPEB liability	17,598	16,498	3,299	37,395
Increase (decrease) in deferred inflows of resources	106,889	88,259	17,859	213,007
(Decrease) increase in due to other governments	500	5,276	764	6,540
Decrease (increase) in prepayments	(5,433)	(6,061)	(1,684)	(13,178)
Net cash provided by operating activities	<u>\$ 987,253</u>	<u>\$ 1,895,561</u>	<u>\$ 149,091</u>	<u>\$ 3,031,905</u>

**Non-cash capital transactions:**

During 2018, the sewer and storm water enterprise funds received transfers from the debt service governmental fund of \$6,663 and \$17,642, respectively. Transfers used for debt service principal and interest payments of \$15,701 and \$8,604.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
DECEMBER 31, 2018

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 446,262
Cash in segregated accounts	<u>13,320</u>
Total assets	<u>\$ 459,582</u>
<b>Liabilities:</b>	
Due to others	<u>\$ 459,582</u>
Total liabilities	<u>\$ 459,582</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 1 - DESCRIPTION OF THE CITY**

The City of Canal Winchester (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City operates under a Council-Mayor form of government and provides the following services: police protection (through Fairfield County), water, sewer and storm water utility services, park operations, street maintenance and repair, as well as general governmental services.

Management believes the financial statements included in this report represent all of the funds of the City over which the City officials are financially accountable.

**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 basic financial statements 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 City has no component units. The following organization is described due to its relationship to the City:

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Canal Winchester Industry and Commerce Corporation (the "CWICC")

The CWICC is a legally separate, non-profit corporation created on August 22, 1994 pursuant to the provisions of Ohio Rev. Code Section 1724.10. The CWICC is governed by a five-member Board of Trustees. Two of the members are from elected City officials and the remaining three members are elected by the CWICC. Vacancies are appointed by the remaining Trustees by an affirmative majority vote. The CWICC's sole purpose is to carry out the Plan of Industrial, Commercial, Distribution and Research Development for the City. The City is not required under this agreement to provide any financial contribution to the CWICC. The City did not expend any money in 2018 to the CWICC. The CWICC can incur debt, mortgage its property acquired, otherwise issue its obligations for the purpose of acquiring, constructing, improving and equipping buildings, structures and other properties and acquiring sites. The financial activities of the CWICC are not included in the financial statements of the City.

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

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

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City.

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

***Fund Financial Statements*** - Fund financial statements report detailed information about the City. 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 fund type.

Proprietary funds distinguish operating transactions from nonoperating transactions. 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 transactions of the City's proprietary funds are charges for sales and services, and include personnel and other expenses related to the operations of the enterprise activity. All other revenues and expenses not meeting these definitions are reported as nonoperating transactions.

**C. Fund Accounting**

The City uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific revenues and expenses. The transactions of each fund are reflected in a self-balancing group of accounts. The City classifies each fund as either governmental, proprietary or fiduciary.

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

*General fund* - This fund is used to account for and report all financial resources of the City except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Debt service fund* - This fund accounts for and reports all transactions relating to the payment of debt.

*Gender road tax increment financing fund* - This fund receives payments in lieu of taxes for various improvements.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

***Proprietary Funds*** - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the City's major enterprise funds:

*Sewer fund* - This fund accounts for the user charges and expenses of maintaining the sewer lines and facilities of the City.

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

*Storm water fund* - This fund accounts for storm water operations.

***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. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has three agency funds which account for the City's Mayor's Court, Meijer agency fund and Greengate Drive agency fund.

**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, all deferred outflows, all liabilities and all 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, current deferred outflows, current liabilities and current deferred inflows 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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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 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.

**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 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 in the presentation of expenses versus expenditures.

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

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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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 Inflows of Resources and Deferred Outflows of Resources*** - In addition to assets, the statements of net position will sometimes 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, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, payment in lieu of taxes, pension, OPEB, and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, interest, charges for services, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

*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 Process**

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 appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the City's Council.

*Tax Budget:*

A budget of estimated cash receipts and disbursements 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. The purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget 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 receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the City determined that receipts collected will be greater than or less than the prior estimate and the Budget Commission finds the revised estimate to be reasonable.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

On or before December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. The amounts reported within the budgetary statements reflect the original and final estimated resources as certified by the County Budget Commission.

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The City legally adopted appropriation amendments during 2018. The budgetary statement reflects the original and final appropriations as approved by Council.

*Encumbrances:*

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

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. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**G. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Interest earnings are allocated as authorized by State statute.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

The City invested in STAR Ohio during 2018. STAR Ohio (the State Treasury Asset Reserve of 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 District measures their 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 2018, 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.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2018 amounted to \$77,286, which included \$42,478 assigned from other funds of the City.

**H. Inventories of Materials and Supplies**

On government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

**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 acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

The City's infrastructure consists of 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. Interest incurred during the construction of capital assets is also capitalized for business-type activities. All reported capital assets are depreciated except for land and intangibles. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	10-50 years	-
Buildings and improvements	50 years	25-50 years
Furniture and Equipment	5-20 years	10-20 years
Vehicles	8 years	8 years
Infrastructure	20-30 years	30-50 years

**J. Compensated Absences**

Compensated absences of the City consist of vacation leave, sick leave, comp time and personal leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with 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 attributable 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. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees 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 total liability for compensated absence payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation leave, sick leave, comp time and personal leave in varying amounts.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates. 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.

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, long-term notes, loans and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

**L. 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 basic financial statements.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

On fund financial statements, receivables and payables to cover deficit cash balances are classified as “interfund receivables/payables.” On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as “advances to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net position.

**M. 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.

*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 or 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 City Council or a City official delegated that authority by City Charter or ordinance.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The future appropriations amount assigned in the General Fund represents 2019 appropriations that exceed estimated resources.

*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.

**N. Estimates**

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

**O. Net Position**

Net position represents the difference between assets plus deferred outflows less liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

**P. Prepayments**

Payments made to vendors for services that will benefit beyond December 31, 2018 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2018.

**R. Fair Value**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**S. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction and from contributions from governmental funds.

**T. Unamortized Bond Discounts/Accounting Gain or Loss**

Bond discounts are amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction to the face amount of the bonds.

For an advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt.



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

On the governmental fund financial statements bond discounts and net gains or losses from refunding are recognized in the current period.

**U. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources, and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For 2018, the City implemented GASB Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, GASB Statement No. 81, *“Irrevocable Split-Interest Agreements”*, GASB Statement No. 85, *“Omnibus 2017”* and GASB Statement No. 86, *“Certain Deb Extinguishments”*.

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits. It also improves information provided by state and local governmental employers about financial support for postemployment benefits that is provided by other entities. The implementation of GASB Statement No. 75 affected the City’s postemployment benefit plan disclosures, as presented in Note 16 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 81 improvements the accounting a financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the City.

GASB Statement No. 86 improvements consistency in accounting and financed reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improvements accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

A net position restatement is required in order to implement GASB Statement No. 75 affecting the governmental activities and business-type activities at January 1, 2018 have been restated as follows:

	Governmental Activities	Water	Sewer
Net position as previously reported	\$ 18,450,000	\$ 13,867,997	\$ 25,737,859
Net OPEB liability	(931,518)	(225,823)	(211,709)
Deferred outflows - payments subsequent to measurement date	<u>11,353</u>	<u>2,752</u>	<u>2,581</u>
Restated net position at January 1, 2018	<u>\$ 17,529,835</u>	<u>\$ 13,644,926</u>	<u>\$ 25,528,731</u>
	Storm Water	Business-Type Activities	
Net position as previously reported	\$ 7,939,214	\$ 47,545,070	
Net OPEB liability	(42,342)	(479,874)	
Deferred outflows - payments subsequent to measurement date	<u>516</u>	<u>5,849</u>	
Restated net position at January 1, 2018	<u>\$ 7,897,388</u>	<u>\$ 47,071,045</u>	

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

**B. Deficit Fund Balance**

Fund balances at December 31, 2018 included a deficit of \$210,409 in the Gender Road TIF fund. The General fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City into three categories.

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

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

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

Interim monies 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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;

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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, above, 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 State Treasury Asset Reserve of Ohio (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.

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 Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

**A. Cash on Hand**

At year end, the City had \$150 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and investments".

**B. Cash in Segregated Accounts**

At year end, \$13,320 was on deposit for the mayor's court account and was held outside of the City's treasury. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts".

**C. Deposits with Financial Institutions**

At December 31, 2018, the carrying amount of all City deposits was \$11,921,283. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2018, \$11,302,240 of the City's bank balance of \$12,052,240 was exposed to custodial credit risk as discussed below, while \$750,000 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. The City has no deposit policy for custodial credit risk beyond the requirements of State statute.

Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the City's financial institution was approved for a collateral rate of 102 percent through the OPCS. Although 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 CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

**D. Investments**

As of December 31, 2018, the City had the following investments and maturities:

Investment Type	Fair Value Hierarchy	Fair Value	Investment Maturities				
			6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FFCB	Level 2	\$ 799,360	\$ 799,360	\$ -	\$ -	\$ -	\$ -
FHLMC	Level 2	2,386,323	-	-	497,360	-	1,888,963
FHLB	Level 2	2,862,399	-	-	691,152	-	2,171,247
Negotiable CD's	Level 2	3,492,887	562,322	490,825	244,613	978,321	1,216,806
STAR Ohio	N/A	167,650	167,650	-	-	-	-
U.S. Govt. Money Market	N/A	106,955	106,955	-	-	-	-
Total		<u>\$ 9,815,574</u>	<u>\$ 1,636,287</u>	<u>\$ 490,825</u>	<u>\$ 1,433,125</u>	<u>\$ 978,321</u>	<u>\$ 5,277,016</u>

The weighted average maturity of investments is 2.03 years.

*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 and U.S. Government money market mutual funds carry 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 rating service. The federal agency securities carry a rating of AA+ and Aaa by Standard & Poor's and Moody, respectively. The negotiable CDs are not rated. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. 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 Finance Director 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, 2018:

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 799,360	8.14
FHLMC	2,386,323	24.31
FHLB	2,862,399	29.16
Negotiable CD's	3,492,887	35.59
STAR Ohio	167,650	1.71
U.S. Government money market	<u>106,955</u>	<u>1.09</u>
 Total	 <u>\$ 9,815,574</u>	 <u>100.00</u>

**E. Reconciliation of Cash and Investments 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, 2018:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$	11,921,283
Investments		9,815,574
Cash on hand		<u>150</u>
Total	<u>\$</u>	<u>21,737,007</u>
 <u>Cash and investments per statement of position</u>		
Governmental activities	\$	11,396,076
Business-type activities		9,881,349
Agency fund		<u>459,582</u>
Total	<u>\$</u>	<u>21,737,007</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at December 31, 2018, as reported on the fund statements as advances to/from other funds consist of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Gender road tif	\$ 400,000
General	Other governmental	5,000

The primary purpose of the advances to/from other funds is to cover costs in specific funds where revenues were not received by December 31. These interfund balances will be repaid once the anticipated revenues are received. The interfund balances are not expected to be repaid within one year.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 5 - INTERFUND TRANSACTIONS**

- B.** Interfund balances at December 31, 2018, as reported on the fund statements as interfund receivable/payable consist of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Other governmental fund	\$ 170,204

The primary purpose of the interfund receivable/payable is to cover costs in specific funds where revenues were not received by December 31. These interfund balances will be repaid once the anticipated revenues are received.

- C.** Interfund transfers for the fiscal year ended December 31, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Debt service fund	\$ 1,240,000
Debt service fund	General fund	77,524
Debt service fund	Sewer fund	6,663
Debt service fund	Storm water fund	17,642

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers from the debt service fund to the general, sewer and storm water funds were to match debt service to the liability. All transfers made were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**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 revaluated 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.



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 6 - PROPERTY TAXES - (Continued)**

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. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 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 Canal Winchester. 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, 2018 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 2018 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 deferred.

The assessed values of real and public utility property upon which 2018 property tax receipts were based are as follows:

Real property tax	\$ 205,520,290
Public utility tangible personal property	<u>3,476,840</u>
Total assessed value	<u><u>\$ 208,997,130</u></u>

**NOTE 7 - LOCAL INCOME TAX**

This locally levied tax of 2.0% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. The City gives a 100% credit to the tax paid to another municipality to the maximum of the total amount assessed. It also applies to the net income of business organizations located within the City. The City of Columbus administers and collects income taxes for the City. Payments, net of collection fees, are remitted monthly for tax receipts received by the City of Columbus in the prior month. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2018. Income tax revenue for 2018 was \$7,489,395 as reported in the fund financial statements. Income tax revenue is reported in the general fund.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 8 - TAX INCREMENT FINANCING DISTRICTS (TIF)**

The City, pursuant to the Ohio Revised Code and City ordinances, has established TIFs. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as “payments in lieu of taxes (PILOT), as though the TIF had not been established. These “PILOTS” are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOT revenue was \$463,810 in 2018 as reported in the fund financial statements. The TIFs have a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT’s cease and property taxes then apply to the increased property values.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2018, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), accrued interest, 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 basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2018. A summary of the principal items of receivables reported on the statement of net position follows:

<b><u>Governmental activities:</u></b>	
Income taxes	\$ 1,254,908
Property and other local taxes	512,821
Payments in lieu of taxes	462,366
Accounts	51,795
Special assessments	117,367
Accrued interest	31,742
Due from other governments	500,340
<b><u>Business-type activities:</u></b>	
Accounts	561,762

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 10 - CAPITAL ASSETS**

A. Governmental activities capital asset activity at December 31, 2018 was as follows:

<b><u>Governmental activities:</u></b>	Balance 12/31/17	Additions	Deductions	Balance 12/31/2018
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,027,994	\$ 98,725	\$ -	\$ 3,126,719
Construction in progress	687,214	1,499,372	(687,214)	1,499,372
Intangibles	257,247	-	-	257,247
<b>Total capital assets, not being depreciated</b>	<b>3,972,455</b>	<b>1,598,097</b>	<b>(687,214)</b>	<b>4,883,338</b>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,315,011	208,395	-	1,523,406
Buildings and improvements	5,746,982	-	-	5,746,982
Furniture and equipment	904,477	38,004	-	942,481
Vehicles	829,956	162,782	(91,355)	901,383
Infrastructure	8,844,996	887,669	-	9,732,665
<b>Total capital assets, being depreciated</b>	<b>17,641,422</b>	<b>1,296,850</b>	<b>(91,355)</b>	<b>18,846,917</b>
<i>Less: accumulated depreciation:</i>				
Land improvements	(449,994)	(28,020)	-	(478,014)
Buildings and improvements	(1,016,945)	(103,446)	-	(1,120,391)
Furniture and equipment	(353,761)	(74,903)	-	(428,664)
Vehicles	(517,628)	(88,704)	82,217	(524,115)
Infrastructure	(1,241,515)	(287,663)	-	(1,529,178)
<b>Total accumulated depreciation</b>	<b>(3,579,843)</b>	<b>(582,736)</b>	<b>82,217</b>	<b>(4,080,362)</b>
<b>Total capital assets, being depreciated net</b>	<b>14,061,579</b>	<b>714,114</b>	<b>(9,138)</b>	<b>14,766,555</b>
<b>Governmental activities, net</b>	<b>\$ 18,034,034</b>	<b>\$ 2,312,211</b>	<b>\$ (696,352)</b>	<b>\$ 19,649,893</b>

Depreciation expense was charged to governmental activities as follows:

<b><u>Governmental activities:</u></b>	
General government	\$ 75,961
Transportation	447,496
Leisure time activity	59,279
<b>Total depreciation expense - governmental activities</b>	<b>\$ 582,736</b>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 10 - CAPITAL ASSETS - (Continued)**

**B.** Business-type activities capital asset activity at December 31, 2018 was as follows:

<b><u>Business-type activities:</u></b>	<u>Balance</u> <u>12/31/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2018</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 913,400	\$ -	\$ -	\$ 913,400
Intangibles	60,561	-	-	60,561
Construction in progress	252,566	191,336	(252,566)	191,336
Total capital assets, not being depreciated	<u>1,226,527</u>	<u>191,336</u>	<u>(252,566)</u>	<u>1,165,297</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	14,495,926	-	-	14,495,926
Furniture and equipment	1,467,705	176,270	-	1,643,975
Vehicles	225,297	-	-	225,297
Infrastructure	55,985,185	320,636	-	56,305,821
Total capital assets, being depreciated	<u>72,174,113</u>	<u>496,906</u>	<u>-</u>	<u>72,671,019</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(4,035,637)	(267,728)	-	(4,303,365)
Furniture and equipment	(528,830)	(75,942)	-	(604,772)
Vehicles	(85,318)	(25,334)	-	(110,652)
Infrastructure	(22,496,239)	(1,530,817)	-	(24,027,056)
Total accumulated depreciation	<u>(27,146,024)</u>	<u>(1,899,821)</u>	<u>-</u>	<u>(29,045,845)</u>
Total capital assets, being depreciated, net	<u>45,028,089</u>	<u>(1,402,915)</u>	<u>-</u>	<u>43,625,174</u>
Business-type activities capital assets, net	<u>\$ 46,254,616</u>	<u>\$(1,211,579)</u>	<u>\$ (252,566)</u>	<u>\$ 44,790,471</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE**

In years 2014, 2015 and 2018, the City entered into lease purchase agreements with a financial institution to assist in financing new trucks. During 2016, the City entered into lease purchase agreements for the purchase of a wheel loader, chipper and a durapatcher.

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements. Principal payments from all funds in 2018 totaled \$108,217. Principal and interest payments are made from the street construction and maintenance fund, the state highway fund, the permissive fund, (nonmajor other governmental funds), the general fund, the water fund, sewer fund and the storm water fund.

New and existing equipment is being used by both governmental activities and business-type activities.

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2018:

Year Ending <u>December 31,</u>	Governmental <u>Activities</u>	Water <u>Fund</u>	Sewer <u>Fund</u>	Storm Water <u>Fund</u>
2019	\$ 97,333	\$ 3,327	\$ 2,249	\$ 3,327
2020	58,103	-	-	-
2021	28,005	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total minimum lease payments	183,441	3,327	2,249	3,327
Less: amount representing interest	<u>(7,564)</u>	<u>(62)</u>	<u>(42)</u>	<u>(62)</u>
Present value of future minimum lease payments	<u>\$ 175,877</u>	<u>\$ 3,265</u>	<u>\$ 2,207</u>	<u>\$ 3,265</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE**

At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2018.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2019	\$ 2,145
Total future minimum lease payments	2,145
Less: amount representing interest	<u>(31)</u>
Present value of net minimum lease payments	<u>\$ 2,114</u>

**NOTE 13 - SHORT-TERM OBLIGATIONS**

The City's short-term note activity for the year ended December 31, 2018, was as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/18</u>
<b>Governmental activities:</b>						
Bond anticipation note	5/3/2017	1.50%	\$ 75,000	\$ -	\$ (75,000)	\$ -
Total			<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ -</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 14 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities**

During 2018, the following changes occurred in the governmental activities long-term obligations:

	Interest Rate	Maturity Date	(Restated)			Balance at 12/31/18	Amounts Due in One Year
			Balance at 12/31/17	Additions	Reductions		
<b>Governmental activities:</b>							
<u>General obligation bonds</u>							
Refunding bonds, 2017	3.75%-4.5%	12/01/2028	\$ 1,725,000	\$ -	\$ (20,000)	\$ 1,705,000	\$ 435,000
G.O. Municipal facilities bonds, 2015	5.50%	01/01/2030	3,040,000	-	(230,000)	2,810,000	230,000
Capital appreciation bonds, series 2004	11.03%	12/01/2019	65,000	-	(34,243)	30,757	30,757
Various purp. refunding bonds, series 2013	2.53%	12/01/2024	900,000	-	(10,000)	890,000	10,000
G.O. Various purpose bonds, 2008	3.00-4.50%	12/01/2028	405,000	-	(405,000)	-	-
Total general obligations bonds			<u>6,135,000</u>	<u>-</u>	<u>(699,243)</u>	<u>5,435,757</u>	<u>705,757</u>
<u>OPWC loans</u>							
#CC05B - Washington St.	0.00%	7/01/2020	117,349	-	(39,117)	78,232	39,117
#CC02D - North High St.	0.00%	7/01/2023	112,783	-	(18,797)	93,986	18,798
#CC03E - West Waterloo #1	0.00%	1/01/2024	195,536	-	(30,082)	165,454	30,082
#CC04F - West Waterloo #2	0.00%	1/01/2025	380,856	-	(50,781)	330,075	50,780
#CC04K - Columbus St	0.00%	1/01/2029	262,200	-	(22,800)	239,400	22,800
#CC06L - Thrush Drive	0.00%	1/01/2034	161,918	-	(9,813)	152,105	9,813
Total OPWC loans			<u>1,230,642</u>	<u>-</u>	<u>(171,390)</u>	<u>1,059,252</u>	<u>171,390</u>
<u>Other long-term obligations</u>							
Land purchase agreement	3.00%	4/1/2027	741,020	-	(68,470)	672,550	70,547
Net pension liability			1,999,929	-	(634,234)	1,365,695	-
Net OPEB liability			931,518	72,595	-	1,004,113	-
Compensated absences			128,263	128,569	(110,602)	146,230	93,422
Lease purchase agreement			98,367	162,782	(85,272)	175,877	92,832
Capital lease agreements			14,444	-	(12,330)	2,114	2,114
Total other long-term obligations			<u>3,913,541</u>	<u>363,946</u>	<u>(910,908)</u>	<u>3,366,579</u>	<u>258,915</u>
Total governmental activities			<u>\$ 11,279,183</u>	<u>\$ 363,946</u>	<u>\$ (1,781,541)</u>	<u>\$ 9,861,588</u>	<u>\$ 1,136,062</u>

Compensated Absences:

Compensated absences are reported in the statement of net position and will be paid from the fund from which the employees' salaries are paid which will primarily be the general fund and the street construction and maintenance fund (a nonmajor other governmental fund).

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Lease Purchase Agreements:

See Note 11 for detail on the lease purchase agreements.

Capital Lease Agreements:

See Note 12 for detail on the capital lease agreements.

General Obligation Bonds:

The 2008 general obligation various purpose refunding issue is comprised of current interest bonds, par value \$5,790,000, with an annual interest rate ranging from 3.00% - 4.50%. This debt was retired in 2018.

On December 17, 2013, the City issued general obligation refunding bonds (various purpose refunding bonds, series 2013). These bonds refunded the \$1,300,000 callable portion of the Series 2004 issue. These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The bonds bear an annual interest rate of 2.53% and mature on December 1, 2024.

Proceeds of \$1,354,059 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various purpose bonds. As a result, \$1,300,000 of these bonds of these bonds are considered defeased and the liability for the refunded portion of these bonds have been removed from the City's financial statements.

The reacquisition price exceeded the net carrying amount of the old debt by \$54,059 for governmental activities. This amount is presented as a deferred charge on refunding and amortized over the remaining life of the new debt.

On April 15, 2015, the City issued general obligation refunding bonds totaling \$3,500,000 for the purpose of municipal facility improvements. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund.

On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The bonds bear an annual interest rate of 5.50% and mature on January 1, 2030.



**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

On September 29, 2017, the City issued general obligation refunding bonds (refunding bonds, series 2017). These bonds refunded the \$1,645,000 callable portion of the Series 2008 issue. These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The bonds bear an annual interest rate of 3.75%-4.5% and mature on December 1, 2028.

Proceeds of \$1,724,690 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various purpose bonds. As a result, \$1,645,000 of these bonds of these bonds are considered defeased and the liability for the refunded portion of these bonds have been removed from the City's financial statements.

The reacquisition price exceeded the net carrying amount of the old debt by \$79,690 for governmental activities. This amount is presented as a deferred charge on refunding and amortized over the remaining life of the new debt. The economic gain resulting from this transaction was \$116,826.

The following is a summary of the City's future annual debt service requirements for the general obligation bonds:

Year Ended December 31,	General Obligation Bonds Payable		
	Principal	Interest	Total
2019	\$ 705,757	\$ 256,308	\$ 962,065
2020	530,000	116,522	646,522
2021	535,000	103,459	638,459
2022	545,000	90,266	635,266
2023	555,000	76,841	631,841
2024-2028	2,095,000	205,155	2,300,155
2029-2030	470,000	18,330	488,330
Total	<u>\$ 5,435,757</u>	<u>\$ 866,881</u>	<u>\$ 6,302,638</u>

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Land Purchase Agreement:

During 2017 the City purchased property for purposes of future development and secured a loan agreement with the property owner. The loan agreement bears interest of 3% and is payable in quarterly installments of \$22,484 based on a ten year amortization schedule. The following is a summary of the City future annual debt service requirements to service this debt which will be paid from the General fund:

Year Ended December 31,	Land Purchase Agreement		
	Principal	Interest	Total
2019	\$ 70,547	\$ 19,388	\$ 89,935
2020	72,687	17,247	89,934
2021	74,893	15,042	89,935
2022	77,165	12,770	89,935
2023	79,506	10,429	89,935
2024-2027	<u>297,752</u>	<u>17,020</u>	<u>314,772</u>
Total	<u>\$ 672,550</u>	<u>\$ 91,896</u>	<u>\$ 764,446</u>

OPWC Loans:

Ohio Public Works Commission Loans (OPWC) have been issued for various street improvements. The loans are interest free and principal payments are made from the debt service fund. The following is a summary of the City's future annual debt service principal requirements for the OPWC loans:

Year Ended December 31,	Principal
2019	\$ 171,390
2020	171,388
2021	132,272
2022	132,273
2023	132,273
2024-2028	254,281
2029-2033	60,465
2034	<u>4,910</u>
Total	<u>\$ 1,059,252</u>

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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

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, 2018, the City's total debt margin was \$16,565,978 and the unvoted debt margin was \$11,494,842.

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**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Business-Type Activities**

During 2018, the following changes occurred in the business-type long-term obligations:

	<u>Interest Rate</u>	<u>Maturity Date</u>	(Restated) Balance at <u>12/31/17</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/18</u>	<u>Due in One Year</u>
<u>Revenue bonds</u>							
Sanitary sewer refunding bonds	2.530%	12/01/2024	\$ 2,185,000	\$ -	\$ (290,000)	\$ 1,895,000	\$ 295,000
Total revenue bonds			<u>2,185,000</u>	<u>-</u>	<u>(290,000)</u>	<u>1,895,000</u>	<u>295,000</u>
<u>OPWC loans</u>							
#CC01C - Sanitary sewer rehab	3.00%	1/01/2024	83,897	-	(11,874)	72,023	12,233
#CC15P - Tanktown Waterline	0.00%	1/1/2044	<u>770,562</u>	<u>-</u>	<u>(29,078)</u>	<u>741,484</u>	<u>29,078</u>
Total OPWC loans			<u>854,459</u>	<u>-</u>	<u>(40,952)</u>	<u>813,507</u>	<u>41,311</u>
<u>OWDA loans</u>							
#4523 - Water treatment plant construction	2.75%	7/01/2027	2,033,962	-	(179,320)	1,854,642	184,286
#4672 - Well field & raw water line	2.75%	7/01/2027	479,594	-	(42,283)	437,311	43,453
#5772 - Sewer system upgrades	2.12%	7/1/2031	<u>777,320</u>	<u>-</u>	<u>(48,236)</u>	<u>729,084</u>	<u>49,264</u>
Total OWDA loans			<u>3,290,876</u>	<u>-</u>	<u>(269,839)</u>	<u>3,021,037</u>	<u>277,003</u>
<u>Other long-term obligations:</u>							
Lease purchase agreement			17,326	-	(8,589)	8,737	8,737
Capital lease obligation			2,026	-	(2,026)	-	-
Net pension liability			1,030,266	-	(357,609)	672,657	-
Net OPEB liability			479,874	37,395	-	517,269	-
Compensated absences			<u>154,507</u>	<u>139,098</u>	<u>(129,603)</u>	<u>164,002</u>	<u>75,472</u>
Total long-term obligations			<u>1,683,999</u>	<u>176,493</u>	<u>(497,827)</u>	<u>1,362,665</u>	<u>84,209</u>
<u>Bond anticipation notes</u>							
Bond anticipation notes - series 2017	1.50%	5/5/2018	425,000	-	(425,000)	-	-
Total bond anticipation notes			<u>425,000</u>	<u>-</u>	<u>(425,000)</u>	<u>-</u>	<u>-</u>
Total business-type activities			<u>\$ 8,439,334</u>	<u>\$ 176,493</u>	<u>\$ (1,523,618)</u>	<u>\$ 7,092,209</u>	<u>\$ 697,523</u>

Compensated Absences:

Compensated absences will be paid from the water, sewer and storm water enterprise funds.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Revenue Bonds:

On December 17, 2013, the City issued \$3,280,000 in sanitary sewer system revenue refunding bonds. This bond issue, along with funds held in the debt service reserve fund account established by trust indenture, was used to refund a portion of the sewer mortgage revenue bonds issued on December 1, 2004. These bonds bear an interest rate of 2.53% and mature on December 1, 2024. Proceeds of \$3,738,454 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the sewer mortgage revenue bonds. As a result, \$3,590,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds have been removed from the City's financial statements.

The reacquisition price exceeded the net carrying amount of the old debt by \$148,454. This amount is presented as a deferred charge on refunding and amortized over the remaining life of the new debt.

The following is a summary of the City's future annual debt service requirements for the revenue refunding bonds:

Year Ended December 31,	Revenue Refunding Bonds Payable		
	Principal	Interest	Total
2019	\$ 295,000	\$ 47,944	\$ 342,944
2020	305,000	40,480	345,480
2021	310,000	32,764	342,764
2022	320,000	24,921	344,921
2023	330,000	16,825	346,825
2024	335,000	8,474	343,474
Total	<u>\$ 1,895,000</u>	<u>\$ 171,408</u>	<u>\$ 2,066,408</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to acquire, construct, and make operating improvements to the sanitary sewer collection and treatment system. The sewer revenue bonds are payable solely from sewer customer net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require approximately 18.24 percent of net revenues. The total principal and interest remaining to be paid on the sewer mortgage revenue bonds is \$2,066,408. Principal and interest paid for the current year and total customer net revenues were \$345,281 and \$1,892,843, respectively.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

OPWC Loans:

OPWC loans have been issued to finance waterline construction and sanitary sewer rehabilitation. Principal and interest payments are due in semi-annual installments.

The following is a summary of the City's future annual debt service principal and interest requirements for the OPWC loans:

Year Ended December 31,	OPWC Loans Payable		
	Principal	Interest	Total
2019	\$ 41,311	\$ 2,070	\$ 43,381
2020	41,680	1,700	43,380
2021	42,062	1,319	43,381
2022	42,454	927	43,381
2023	42,859	522	43,381
2024-2028	152,436	106	152,542
2029-2033	145,389	-	145,389
2034-2038	145,389	-	145,389
2039-2043	145,390	-	145,390
2044	14,537	-	14,537
Total	<u>\$ 813,507</u>	<u>\$ 6,644</u>	<u>\$ 820,151</u>

OWDA Loans:

The City has entered into debt financing arrangements through the Ohio Water Department Authority (OWDA) to fund construction projects. The amounts due to the OWDA are payable solely from sewer and water revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2018, the City has outstanding borrowings of \$3,021,037. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

The City has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through 2031. Annual principal and interest payments on the loans are expected to require 12.36 percent of net revenues and 6.84 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$3,440,907. Principal and interest paid for the current year were \$353,675, total net revenues were \$2,860,829 and total operating revenues were \$5,168,584.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

The annual requirements to retire business-type activities debt follows.

Year Ended December 31,	OWDA Loans Payable		
	Principal	Interest	Total
2019	\$ 277,003	\$ 76,670	\$ 353,673
2020	284,359	69,315	353,674
2021	291,912	61,761	353,673
2022	299,667	54,006	353,673
2023	307,630	46,044	353,674
2024-2028	1,374,062	105,096	1,479,158
2029-2032	<u>186,404</u>	<u>6,978</u>	<u>193,382</u>
Total	<u>\$ 3,021,037</u>	<u>\$ 419,870</u>	<u>\$ 3,440,907</u>

**NOTE 15 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees).

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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

Plan Description - City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan.

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

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



**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	State and Local
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2018 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$223,851 for 2018. Of this amount, \$29,764 is reported as due to other governments.

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

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	OPERS
<b>Traditional Plan</b>	
Proportion of the net pension liability prior measurement date	0.01334400%
Proportion of the net pension liability current measurement date	<u>0.01299300%</u>
Change in proportionate share	<u>-0.00035100%</u>
Proportionate share of the net pension liability - Traditional Plan	\$ 2,038,352
Pension expense	\$ 285,361

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$2,082
Changes of assumptions	243,596
City contributions subsequent to the measurement date	<u>223,851</u>
Total Deferred Outflows of Resources	<u><u>\$469,529</u></u>
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$40,169
Net difference between projected and actual earnings on pension plan investments	<u>437,607</u>
Total Deferred Inflows of Resources	<u><u>\$477,776</u></u>

\$223,851 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	OPERS
Year Ending December 31:	
2019	\$182,579
2020	(42,161)
2021	(192,698)
2022	(179,818)
Total	(\$232,098)

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	3 percent simple through 2018, then 2.15% simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

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 2017 and the long-term expected real rates of return.

**CITY OF CANAL WINCHESTER  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.20 %
Domestic equities	19.00	6.37
Real estate	10.00	5.26
Private equity	10.00	8.97
International equities	20.00	7.88
Other investments	18.00	5.26
Total	<u>100.00 %</u>	<u>5.66 %</u>

**Discount Rate** - The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$3,619,590	\$2,038,352	\$720,072

**CITY OF CANAL WINCHESTER  
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**NOTE 16 - DEFINED BENEFIT OPEB PLANS**

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB 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 - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 16 – DEFINED BENEFIT OPEB PLANS- (Continued)**

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.



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**NOTE 16 – DEFINED BENEFIT OPEB PLANS- (Continued)**

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$0 for 2018.

The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.0140100%
Prior Measurement Date	0.0139737%
Change in Proportionate Share	0.0000363%
Proportionate Share of the Net OPEB Liability	\$1,521,382
OPEB Expense	\$128,568

***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.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 16 – DEFINED BENEFIT OPEB PLANS- (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 16 – DEFINED BENEFIT OPEB PLANS- (Continued)**

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return.

<u>Asset Class</u>	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	4.98 %

**Discount Rate** A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met).

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 16 – DEFINED BENEFIT OPEB PLANS- (Continued)**

This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$2,021,233	\$1,521,382	\$1,117,017

***Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 16 – DEFINED BENEFIT OPEB PLANS- (Continued)**

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$1,455,639	\$1,521,382	\$1,589,294

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$ 1,185
Changes of assumptions	110,773
Total deferred outflows of resources	\$ 111,958
<b>Deferred Inflows of Resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$ 113,333
Total deferred inflows of resources	\$ 113,333

\$0 is reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2019	\$ 25,195
2020	25,195
2021	(23,432)
2022	(28,333)
Total	\$ (1,375)

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 16 – DEFINED BENEFIT OPEB PLANS- (Continued)**

***Changes between Measurement Date and Report Date***

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

**NOTE 17 - RISK MANAGEMENT POOLS**

**A. Central Ohio Health Care Consortium**

On January 1, 1992, the City joined the Central Ohio Health Care Consortium (the "Pool"), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the Pool. The Pool consists of 11 political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. Dental, vision, and life insurance coverage is provided by Delta Dental, Vision Service Plan, and Standard Insurance Company, respectively. The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, and to purchase excess loss insurance for the Pool. The Pool also entered into an agreement with an independent plan supervisor to oversee the day to day operations of the Pool, such as administration and approval of submitted claims, the payment of operating expenses incurred by the Pool and the preparation of a monthly activity report which is presented to the Board. The funds held by the Pool are maintained in a bank trust account established for the sole purpose and benefit of the Pool operations. Financial information for the Pool can be obtained from Matthew Peoples, Chair, COHCC, 36 South High Street, Canal Winchester, Ohio 43110. The City's payments to the Pool for insurance coverage were \$509,721 during 2018.

The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, to establish and maintain sufficient claim reserves and to purchase excess loss insurance for the Pool. The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Pool for medical claims paid for an individual in excess of \$225,000 with no individual lifetime maximum. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims paid in excess of \$15,842,505 to a maximum of \$1,000,000 annually. In the event that the losses of the Pool in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. No such loss has occurred in the past four years.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 - RISK MANAGEMENT POOLS – (Continued)**

In the event that an entity should withdraw from the plan, the withdrawing member is required to either reimburse the Pool for claims paid on its behalf or the member must pay the claims directly.

**B. Central Ohio Risk Management Association**

On October 1, 2014, the City joined the Central Ohio Risk Management Association Inc. (CORMA), a shared risk pool which is administered by nine cities in Central Ohio. Its present members in addition to the City of Canal Winchester are the Cities of Dublin, Grove City, Upper Arlington, Westerville, Groveport, Pickerington, Powell, and Grandview Heights. CORMA was formed as an Ohio non-profit corporation for the purpose of establishing the CORMA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Each member has a representative on the Board of Trustees that approves bylaws, establish policies and contract with service providers for the best savings. Member cities agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORMA. Coverage includes comprehensive general liability, property insurance, crime insurance, employee benefits liability, law enforcement liability, public officials' liability, automotive liability, and healthcare professional liability. Financial Statements for the pool can be obtained from Angel Mumma, Treasurer, CORMA, 5200 Emerald Parkway, Dublin, Ohio 43017. The City's payments to CORMA for insurance coverage were \$57,579 during 2018.

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

- (c) 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 or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

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 the general and gender road tif fund:

**Net Change in Fund Balance**

	<u>General fund</u>	<u>Gender road tif fund</u>
Budget basis	\$ 1,316,222	\$ 105,197
Net adjustment for revenue accruals	352,889	-
Net adjustment for expenditure accruals	278,278	(1)
Net adjustment for other sources/uses	103,390	-
Adjustment for encumbrances	<u>807,182</u>	<u>-</u>
GAAP basis	<u>\$ 2,857,961</u>	<u>\$ 105,196</u>

**NOTE 19 – TAX ABATEMENTS**

The City of Canal Winchester provides tax abatements under the following programs which meet the criteria set forth under the requirements of GASB Statement No. 77: the Industrial/Commercial Community Reinvestment Area Program and Income Tax Abatement Program.

***Real Estate Tax Abatements***

Pursuant to Ohio Revised Code Section 5709, the City has established Community Reinvestment Areas (CRA) for any industrial or commercial property project improvements made to parcel(s) following specific return-on-investment formulas and guidelines approved by City Council.

***City Council's Incentive Criteria for Decision Making***

The City of Canal Winchester has offered tax incentives and CRA abatements to various businesses based upon substantial project investment into the City. The City has created a return on investment formula it considers before entering into any such agreements.



**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 19 – TAX ABATEMENTS – (Continued)**

This return on investment formula considers the financial impact not only to the City but also other local governments in Franklin and Fairfield County that may be impacted. Below is the information relevant to the disclosure of these programs for the year ended December 31, 2018:

Tax Abatement Program	Total Amount of Taxes Abated (Incentives Abated) for 2018 (In Actual Dollars)
<i>Community Reinvestment Area (CRA)</i>	
- Manufacturing	\$10,634
- Retail	5,077
- Construction	613
- Professional Services	2,536
- Distribution	1,170
- Telecommunications	588
- Medical Services	42
- Restaurants	140
- Residential	62
<b>Total Community Reinvestment Area</b>	<b>\$20,862</b>

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 19 – TAX ABATEMENTS – (Continued)**

**Cooperative Economic Development Agreement (CEDA)**

On September 15, 2001 the City of Canal Winchester (then Village) entered into a CEDA with Violet Township, a contiguous and overlapping subdivision in Fairfield County, to cooperate in creating and preserving jobs and employment opportunities and to cooperate in inducing and fostering economic development with uniform planning standards in accordance with Ohio Revised Code Section 701.07.

The Agreement allows for development of a designated area with the sharing of services and an annual service fee between the parties. This agreement has been in part responsible for the development of industrial/commercial development known as Canal Pointe which currently includes 30 businesses with over 1,250 employees. The amount distributed under this agreement was \$343,572 for 2018.

**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 are 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, 2018.

**B. Litigation**

The City is involved in no material litigation as either plaintiff or defendant.

**NOTE 21 - 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 on 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 below:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 21 - FUND BALANCE – (Continued)**

Fund balance	General Fund	Debt Service Fund	Gender Road TIF Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Prepays	\$ 79,063	\$ -	\$ -	\$ 2,577	\$ 81,640
Long-term loans	405,000	-	-	-	405,000
Materials & supplies inventory	41,200	-	-	39,554	80,754
Total nonspendable	<u>525,263</u>	<u>-</u>	<u>-</u>	<u>42,131</u>	<u>567,394</u>
<b>Restricted:</b>					
General government	-	-	-	39,112	39,112
Capital projects	-	-	-	206,415	206,415
Transportation	-	-	-	2,163,419	2,163,419
Community environment	-	-	-	9,442	9,442
Leisure time activity	-	-	-	242,345	242,345
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,660,733</u>	<u>2,660,733</u>
<b>Assigned:</b>					
Debt service	-	57,036	-	-	57,036
Public health and welfare	-	-	-	-	-
Community environment	44,910	-	-	-	44,910
Security persons & property	106,924	-	-	-	106,924
Transportation	175,005	-	-	-	175,005
Leisure time activity	41,778	-	-	-	41,778
Subsequent year appropriations	474,850	-	-	-	474,850
General government	131,728	-	-	-	131,728
Total assigned	<u>975,195</u>	<u>57,036</u>	<u>-</u>	<u>-</u>	<u>1,032,231</u>
Unassigned	<u>8,380,051</u>	<u>-</u>	<u>(210,409)</u>	<u>-</u>	<u>8,169,642</u>
Total fund balances	<u>\$ 9,880,509</u>	<u>\$ 57,036</u>	<u>\$ (210,409)</u>	<u>\$ 2,702,864</u>	<u>\$ 12,430,000</u>

**NOTE 22 - 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 cash basis encumbrances in the governmental and proprietary funds were as follows:

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 22 - OTHER COMMITMENTS – (Continued)**

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 807,182
Other governmental	<u>1,354,347</u>
Total governmental funds	<u>2,161,529</u>
Water	291,223
Sewer	139,363
Storm Water	<u>1,640</u>
Total proprietary funds	<u>432,226</u>
Total	<u><u>\$ 2,593,755</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>					
City's proportion of the net pension liability	0.012993%	0.013344%	0.014281%	0.012385%	0.012385%
City's proportionate share of the net pension liability	\$ 2,038,352	\$ 3,030,195	\$ 2,473,649	\$ 1,493,770	\$ 1,460,030
City's covered-employee payroll	\$ 1,597,715	\$ 2,153,825	\$ 1,585,225	\$ 1,702,142	\$ 1,688,962
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	127.58%	140.69%	156.04%	87.76%	86.45%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented as of the City's measurement date which is the prior year end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

SCHEDULES OF SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SIX YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>						
Contractually required contribution	\$ 223,851	\$ 207,703	\$ 258,495	\$ 190,227	\$ 204,257	\$ 219,565
Contributions in relation to the contractually required contribution	<u>(223,851)</u>	<u>(207,703)</u>	<u>(258,495)</u>	<u>(190,227)</u>	<u>(204,257)</u>	<u>(219,565)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,598,936	\$ 1,597,715	\$ 2,153,825	\$ 1,585,225	\$ 1,702,142	\$ 1,688,962
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<b>2018</b>	<b>2017</b>
City's proportion of the net OPEB liability	0.0140100%	0.0139737%
City's proportionate share of the net OPEB liability	\$ 1,521,382	\$ 1,411,392
City's covered-employee payroll	\$ 1,597,715	\$ 2,153,825
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	95.22%	65.53%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.04%

Note: Information prior to 2017 was unavailable. 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 CANAL WINCHESTER  
FRANKLIN COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SIX YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>						
Contractually required contribution	\$ -	\$ 17,201	\$ 36,939	\$ 31,704	\$ 34,055	\$ 16,882
Contributions in relation to the contractually required contribution	<u>-</u>	<u>(17,201)</u>	<u>(36,939)</u>	<u>(31,704)</u>	<u>(34,055)</u>	<u>(16,882)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,598,936	\$ 1,597,715	\$ 2,153,825	\$ 1,585,225	\$ 1,702,142	\$ 1,688,962
Contributions as a percentage of covered-employee payroll	0.00%	1.08%	1.72%	2.00%	2.00%	1.00%

Note: Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2018

**PENSION**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2018.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2017-2018.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

The management's discussion and analysis of the City of Canal Winchester's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- The total net position of the City increased \$3,426,036 from 2016 net position. Net position of governmental activities increased \$3,021,879 or 20% over the 2016 net position of \$15,428,121 and net position of business-type activities increased \$404,157 or 1% from 2016 net position of \$47,140,913.
- General revenues accounted for \$8,610,842 of total governmental activities revenue. Program specific revenues accounted for \$1,592,206 or 16% of total governmental activities revenue.
- The City had \$7,181,169 in expenses related to governmental activities; \$1,592,206 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$5,588,693 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,610,842.
- The general fund had revenues and other financing sources of \$10,257,106 in 2017 and represents an increase of \$1,978,154 from 2016 revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$8,793,755 in 2017, increased \$1,254,893 from 2016 expenditures and other financing uses. The net increase in fund balance for the general fund was \$1,463,351 or 26%.
- The debt service fund had revenues and other financing sources of \$3,089,878 in 2017. The expenditures and other financing uses of the debt service fund, totaled \$3,070,736 in 2017. The net increase in fund balance for the debt service fund was \$19,142 from prior year.
- The gender road tax increment financing fund had revenues of \$41,055 and expenditures of \$41,434. The net decrease in fund balance was \$379.
- Net position for the business-type activities, which are made up of the water, sewer, and storm water enterprise funds, increased in 2017 by \$404,157.
- In the general fund, the actual revenues and other financing sources came in \$1,842,202 higher than they were in the final budget and actual expenditures and other financing uses were \$738,657 less than the amount in the final budget.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)

**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.

**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 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 net 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, 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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)

***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 focuses on the City's most significant funds.

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. 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, debt service fund and the gender road tax increment financing 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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

***Proprietary Funds***

The City maintains one type of proprietary funds. 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 enterprise funds are considered major funds.

***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.

**Government-Wide Financial Analysis**

The statement of net position serves as a useful indicator of a government's financial position. The table below provides a summary of the City's net position for 2017 and 2016.

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**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2017	2016
	2017	2017	2016	2016		
<b>Net Position</b>						
<b>Assets</b>						
Current and other assets	\$ 11,399,163	\$ 9,095,855	\$ 9,492,901	\$ 7,937,484	\$ 20,495,018	\$ 17,430,385
Nondepreciable capital assets	3,972,455	1,226,527	2,503,446	913,400	5,198,982	3,416,846
Depreciable capital assets, net	14,061,579	45,028,089	14,266,521	46,555,545	59,089,668	60,822,066
Capital assets, net	<u>18,034,034</u>	<u>46,254,616</u>	<u>16,769,967</u>	<u>47,468,945</u>	<u>64,288,650</u>	<u>64,238,912</u>
Total assets	<u>29,433,197</u>	<u>55,350,471</u>	<u>26,262,868</u>	<u>55,406,429</u>	<u>84,783,668</u>	<u>81,669,297</u>
<b>Deferred outflows of resources</b>	<u>937,646</u>	<u>411,784</u>	<u>710,374</u>	<u>420,931</u>	<u>1,349,430</u>	<u>1,131,305</u>
<b>Liabilities</b>						
Current and other liabilities	707,681	248,570	479,020	207,833	956,251	686,853
Long-term liabilities:						
Due within one year	1,093,680	1,106,228	1,171,287	1,240,459	2,199,908	2,411,746
Net pension liability	1,999,929	1,030,266	1,685,318	788,331	3,030,195	2,473,649
Due in more than one year	<u>7,248,862</u>	<u>5,822,966</u>	<u>7,479,917</u>	<u>6,434,395</u>	<u>13,071,828</u>	<u>13,914,312</u>
Total liabilities	<u>11,050,152</u>	<u>8,208,030</u>	<u>10,815,542</u>	<u>8,671,018</u>	<u>19,258,182</u>	<u>19,486,560</u>
<b>Deferred inflows of resources</b>	<u>870,691</u>	<u>9,155</u>	<u>729,579</u>	<u>15,429</u>	<u>879,846</u>	<u>745,008</u>
<b>Net Position</b>						
Net investment in capital assets	9,840,694	39,563,230	8,144,290	40,058,084	49,403,924	48,202,374
Restricted:						
Capital projects	265,662	-	-	-	265,662	-
Transportation	2,006,157	-	967,011	-	2,006,157	967,011
Leisure time activity	181,300	-	115,251	-	181,300	115,251
Other	31,972	-	953,745	-	31,972	953,745
Community environment	7,262	-	-	-	7,262	-
Unrestricted	<u>6,116,953</u>	<u>7,981,840</u>	<u>5,247,824</u>	<u>7,082,829</u>	<u>14,098,793</u>	<u>12,330,653</u>
Total net position	<u>\$ 18,450,000</u>	<u>\$ 47,545,070</u>	<u>\$ 15,428,121</u>	<u>\$ 47,140,913</u>	<u>\$ 65,995,070</u>	<u>\$ 62,569,034</u>

Over time, net position can serve as a useful indicator of a government's financial position. At year-end, net position was \$65,995,070, which comprised \$18,450,000 and \$47,545,070 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 59% and 83% of total assets and deferred outflows of resources for the governmental activities and business-type activities, respectively. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, intangibles, construction in progress and infrastructure. The City's net investment in capital assets at December 31, 2017, were \$9,840,694 and \$39,563,230 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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

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. A portion of the City's net position, \$2,492,353 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 \$6,116,953 may be used to meet the government's ongoing obligations to citizens and creditors. The following table shows the changes in net position for 2017 and 2016.

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**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

	<b>Change in Net Position</b>					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Total	Total
	2017	2017	2016	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 1,193,354	\$ 5,065,640	\$ 1,108,601	\$ 3,985,036	\$ 6,258,994	\$ 5,093,637
Operating grants and contributions	398,852	-	402,339	-	398,852	402,339
Capital grants and contributions	-	-	17,300	-	-	17,300
<b>Total program revenues</b>	<b>1,592,206</b>	<b>5,065,640</b>	<b>1,528,240</b>	<b>3,985,036</b>	<b>6,657,846</b>	<b>5,513,276</b>
General revenues:						
Property and other local taxes	386,748	-	381,402	-	386,748	381,402
Income taxes	6,929,927	-	6,235,642	-	6,929,927	6,235,642
Lodging taxes	93,834	-	84,440	-	93,834	84,440
Payment in lieu of taxes	241,547	-	311,921	-	241,547	311,921
Grants and entitlements	141,684	-	139,452	-	141,684	139,452
Investment earnings	92,561	-	81,015	-	92,561	81,015
Contributions and donations	50,000	-	-	-	50,000	-
Other	674,541	9,247	38,239	4,103	683,788	42,342
<b>Total general revenues</b>	<b>8,610,842</b>	<b>9,247</b>	<b>7,272,111</b>	<b>4,103</b>	<b>8,620,089</b>	<b>7,276,214</b>
<b>Total revenues</b>	<b>10,203,048</b>	<b>5,074,887</b>	<b>8,800,351</b>	<b>3,989,139</b>	<b>15,277,935</b>	<b>12,789,490</b>
Program Expenses:						
General government	3,516,392	-	2,785,383	-	3,516,392	2,785,383
Security of persons and property	984,202	-	1,069,309	-	984,202	1,069,309
Public health and welfare	184,418	-	127,826	-	184,418	127,826
Transportation	1,118,989	-	1,140,148	-	1,118,989	1,140,148
Community environment	549,429	-	739,471	-	549,429	739,471
Leisure time activity	569,488	-	554,271	-	569,488	554,271
Interest and fiscal charges	227,941	-	196,474	-	227,941	196,474
Bond issuance costs	30,310	-	-	-	30,310	-
Sewer operating	-	2,422,092	-	2,260,288	2,422,092	2,260,288
Water operating	-	1,874,582	-	1,744,540	1,874,582	1,744,540
Storm water operating	-	374,056	-	352,353	374,056	352,353
<b>Total expenses</b>	<b>7,181,169</b>	<b>4,670,730</b>	<b>6,612,882</b>	<b>4,357,181</b>	<b>11,851,899</b>	<b>10,970,063</b>
Increase (decrease) in net position	3,021,879	404,157	2,187,469	(368,042)	3,426,036	1,819,427
Net position beginning of year	15,428,121	47,140,913	13,240,652	47,508,955	62,569,034	60,749,607
<b>Net position end of year</b>	<b>\$ 18,450,000</b>	<b>\$ 47,545,070</b>	<b>\$ 15,428,121</b>	<b>\$ 47,140,913</b>	<b>\$ 65,995,070</b>	<b>\$ 62,569,034</b>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)

**Governmental Activities**

Governmental activities net position increased \$3,021,879 in 2017 which is a result of higher general revenues, specifically income taxes and other revenues.

Security of persons and property, which primarily supports the operations of the Fairfield County Sheriff's department, was \$984,202 or 14% of total City expenses. General government expenses totaled \$3,516,392 and were partially funded by \$873,766 in direct charges to users of the services.

The State government contributed to the City a total of \$398,852 in operating grants and contributions. These revenues are restricted to transportation purposes.

General revenues totaled \$8,610,842 and primarily consist of property and income tax revenue of \$7,316,675.

The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2017 compared to 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

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

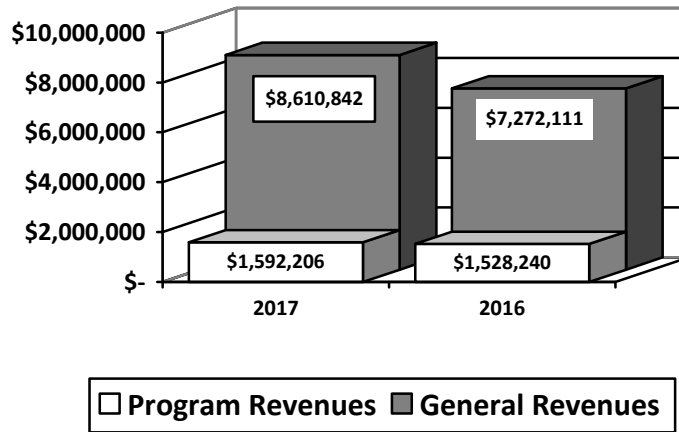
	Governmental Activities			
	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 3,516,392	\$ 2,642,626	\$ 2,785,383	\$ 1,892,995
Security of persons & property	984,202	984,202	1,069,309	1,069,309
Public health and welfare	184,418	117,045	127,826	127,826
Transportation	1,118,989	671,500	1,140,148	708,032
Community environment	549,429	549,429	739,471	739,471
Leisure time activity	569,488	365,910	554,271	350,535
Interest and fiscal charges	227,941	227,941	196,474	196,474
Bond issuance costs	30,310	30,310	-	-
	<u>\$ 7,181,169</u>	<u>\$ 5,588,963</u>	<u>\$ 6,612,882</u>	<u>\$ 5,084,642</u>
Total				

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

The chart below illustrates the City's program revenues versus general revenues for 2017 and 2016.

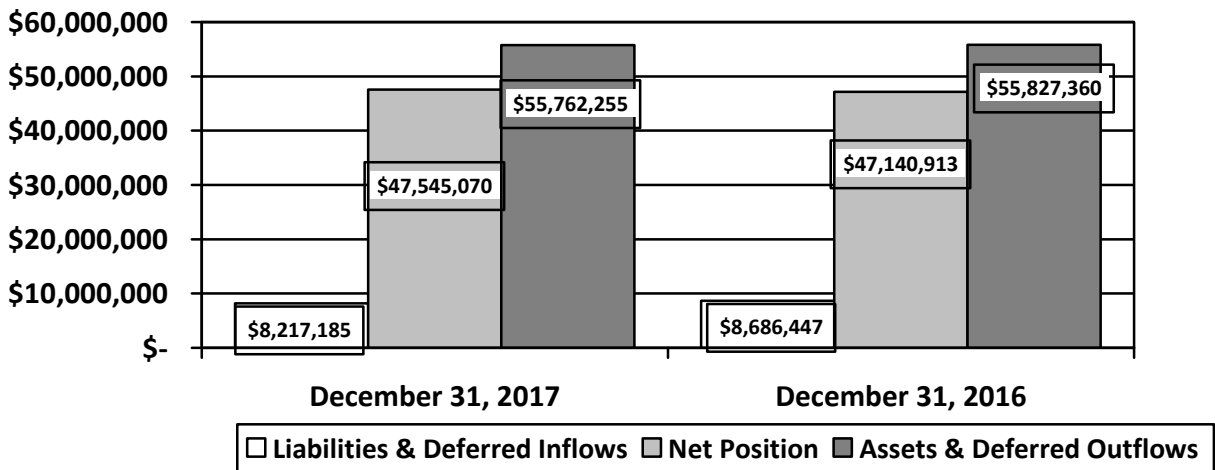
**Governmental Activities – General and Program Revenues**



**Business-type Activities**

Business-type activities include the water, sewer, and storm water enterprise funds. These programs had program revenues of \$5,065,640 and expenses of \$4,670,730 for 2017. The graph below shows the business-type activities assets, deferred outflows, liabilities and deferred inflows and net position at year-end.

**Net Position in Business - Type Activities**



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)

**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 reported a combined fund balance of \$9,110,771 which is \$1,760,040 higher than last year's total of \$7,350,731. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2017 for all major and non-major governmental funds.

	Fund Balances 12/31/2017	Fund Balances 12/31/2016	Increase (Decrease)
Major funds:			
General fund	\$ 7,022,548	\$ 5,559,197	\$ 1,463,351
Debt service fund	64,310	45,168	19,142
Gender road tif fund	(315,605)	(315,226)	(379)
Other nonmajor governmental funds	2,339,518	2,061,592	277,926
Total	<u>\$ 9,110,771</u>	<u>\$ 7,350,731</u>	<u>\$ 1,760,040</u>

**General Fund**

The City's general fund balance increased \$1,463,351. The table that follows assists in illustrating the revenues of the general fund.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

	2017 <u>Amount</u>	2016 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 7,470,643	\$ 6,801,576	9.84 %
Intergovernmental	140,045	139,452	0.43 %
Special assessments	195,141	193,559	0.82 %
Charges for services	126,088	126,976	(0.70) %
Fines, licenses and permits	775,744	775,147	0.08 %
Rental income	14,465	7,985	81.15 %
Investment income	89,992	67,315	33.69 %
Other	670,493	34,192	1,860.96 %
Total	<u>\$ 9,482,611</u>	<u>\$ 8,146,202</u>	<u>16.41 %</u>

The City's largest revenue source in the general fund was tax revenue, which represents 79% of all general fund revenue. Tax revenues increased 9.84% due primarily to an increase in income tax collections. The table that follows assists in illustrating the expenditures of the general fund.

	2017 <u>Amount</u>	2016 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 3,291,439	\$ 2,597,271	26.73 %
Security of persons and property	984,202	1,069,309	(7.96) %
Public health and welfare	129,418	122,715	5.46 %
Transportation	679,638	478,063	42.16 %
Community environment	596,074	588,682	1.26 %
Leisure time activity	455,260	402,608	13.08 %
Capital outlay	1,180,327	898,717	31.33 %
Debt service	144,337	12,497	1,054.97 %
Total	<u>\$ 7,460,695</u>	<u>\$ 6,169,862</u>	<u>20.92 %</u>

Capital outlay expenditures represent money spent on infrastructure and other capital related projects for the City. These expenditures increased 31.33% over 2016.

***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. In the general fund, the actual revenues and other financing sources came in \$1,842,202 higher than they were in the final budget and actual expenditures and other financing uses were \$738,657 less than the amount in the final budget.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)

***Debt Service Fund***

The debt service fund had revenues and other financing sources of \$3,089,878 in 2017. The expenditures and other financing uses of the debt service fund, totaled \$3,070,736 in 2017. The net increase in fund balance for the debt service fund was \$19,142 from prior year.

***Gender Road TIF Fund***

The gender road tif fund had revenues of \$41,055 and expenditures of \$41,434. The net decrease in fund balance was \$379.

***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.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2017, the City had \$64,288,650 (net of accumulated depreciation) invested in land, construction in progress, intangibles, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Of this total, \$18,034,034 was reported in governmental activities and \$46,254,616 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2017 balances compared to 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,027,994	\$ 2,246,199	\$ 913,400	\$ 913,400	\$ 3,941,394	\$ 3,159,599
Construction in progress	687,214	-	252,566	-	939,780	-
Intangibles	257,247	257,247	60,561	-	317,808	257,247
Land improvements	865,017	891,161	-	-	865,017	891,161
Building & improve.	4,730,037	4,669,319	10,460,289	10,728,017	15,190,326	15,397,336
Equipment	550,716	560,969	938,875	877,397	1,489,591	1,438,366
Vehicles	312,328	266,458	139,979	122,074	452,307	388,532
Infrastructure	7,603,481	7,878,614	33,488,946	34,828,057	41,092,427	42,706,671
Totals	<u>\$ 18,034,034</u>	<u>\$ 16,769,967</u>	<u>\$ 46,254,616</u>	<u>\$ 47,468,945</u>	<u>\$ 64,288,650</u>	<u>\$ 64,238,912</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 42% of the City's total governmental activities and 72% of the business-type activity capital assets.

***Debt Administration***

The City had the following debt obligations outstanding at December 31, 2017 and 2016:

	<b>Governmental Activities</b>	
	2017	2016
General obligation bonds	\$ 6,135,000	\$ 6,835,000
OPWC loans	1,230,642	1,402,032
Bond anticipation notes	75,000	225,000
Lease purchase agreement	98,367	187,418
Land purchase agreement	741,020	-
Capital lease obligation	14,444	21,350
Total debt obligations	\$ 8,294,473	\$ 8,670,800
	<b>Business-type Activities</b>	
	2017	2016
Revenue bonds	\$ 2,185,000	\$ 2,470,000
Bond anticipation notes	425,000	550,000
OPWC loans	854,459	895,063
OWDA loans	3,290,876	3,553,738
Lease purchase agreement	17,326	45,090
Capital lease obligation	2,026	3,812
Total debt obligations	\$ 6,774,687	\$ 7,517,703

See Notes 13 and 14 to the basic financial statements for detail on the City's debt obligations.

**Economic Factors and Next Year's Budget and Rates**

The City of Canal Winchester's financial condition has continued to improve over the past five years as city leaders continue to closely monitor the revenue and expenditures. Income tax collections, the city's primary source of General Fund revenue, were 18% over projections in 2017. The increased revenue has given the city the opportunity to plan for future construction projects and continue to provide a high level of service to its residents.

Local Government funding has remained steady over the past three years, after reductions were enacted due to budget shortfalls at the State level and is expected to be consistent in 2018. State legislation has been introduced to change the distribution formula for Local Government revenue that could affect the city's collections in the future. The amount of this impact is still unknown at this time.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

The Ohio Legislature passed legislation regarding the uniformity of municipal income taxes throughout the State in 2014, which became effective January 1, 2016. Additional legislation was passed in 2017 that created a centralized collection method for municipal net profit taxpayers. Effective for tax years beginning on or after January 1, 2018, this elective collection method is seen by many as the first step towards centralized collection across the state and a detriment to the future of the city's control over its income taxes. Currently, the extent of the impact on city revenue is still unknown at this time but is being closely monitored by city officials.

In addition, the following items were taken into consideration during preparation of the 2018 budget:

- Residential and commercial development has increased over the last years. Future growth is expected in the short-term.
- The cost of repair and replacement of City infrastructure continues to increase.
- An equipment replacement schedule is in place to allow for proper planning of high dollar purchases.
- The availability of undeveloped commercial property has decreased in the last several years.
- Long term planning initiatives were undertaken in the last two years concentrating on the historic downtown of the city and city owned parks. The recommended improvements that resulted from these plans are being programmed for completion as the budget allows.
- Unemployment rates as of December 2017 in Franklin and Fairfield County are 3.6% and 3.9%, respectively. These rates are lower than or equal to the state average of 4.5% and national average of 3.9%.
- Interest rates are showing signs of improvement but remain lower than historical levels.

The 2018 Budget reflects the city's continued effort to practice conservative budgetary practices in order to preserve a solid financial position in the future.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Amanda Jackson, Finance Director, City of Canal Winchester, 36 South High Street, Canal Winchester, Ohio 43110-1213.



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
DECEMBER 31, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and investments	\$ 9,112,433	\$ 8,449,100	\$ 17,561,533
Receivables:			
Income taxes	921,654	-	921,654
Real and other taxes	427,349	-	427,349
Accounts	40,648	588,964	629,612
Payments in lieu of taxes	375,714	-	375,714
Accrued interest	26,622	-	26,622
Special assessments	116,277	-	116,277
Due from other governments	289,896	-	289,896
Prepayments	49,429	33,494	82,923
Materials and supplies inventory	39,141	24,297	63,438
Capital assets:			
Nondepreciable capital assets	3,972,455	1,226,527	5,198,982
Depreciable capital assets, net	14,061,579	45,028,089	59,089,668
Total capital assets, net	<u>18,034,034</u>	<u>46,254,616</u>	<u>64,288,650</u>
Total assets	<u>29,433,197</u>	<u>55,350,471</u>	<u>84,783,668</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding	112,184	93,346	205,530
Pension	825,462	318,438	1,143,900
Total deferred outflows of resources	<u>937,646</u>	<u>411,784</u>	<u>1,349,430</u>
Total assets and deferred outflows of resources	<u>30,370,843</u>	<u>55,762,255</u>	<u>86,133,098</u>
<b>Liabilities:</b>			
Accounts payable	322,178	138,485	460,663
Retainage payable	16,245	10,045	26,290
Accrued wages and benefits payable	26,820	13,848	40,668
Due to other governments	244,159	21,036	265,195
Accrued interest payable	23,279	65,156	88,435
Notes payable	75,000	-	75,000
Long-term liabilities:			
Due within one year	1,093,680	1,106,228	2,199,908
Due in more than one year:			
Net pension liability	1,999,929	1,030,266	3,030,195
Other amount due in more than one year	7,248,862	5,822,966	13,071,828
Total liabilities	<u>11,050,152</u>	<u>8,208,030</u>	<u>19,258,182</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year	405,340	-	405,340
Payment in lieu of tax revenue not available	375,714	-	375,714
Pension	89,637	9,155	98,792
Total deferred inflows of resources	<u>870,691</u>	<u>9,155</u>	<u>879,846</u>
Total liabilities and deferred inflows of resources	<u>11,920,843</u>	<u>8,217,185</u>	<u>20,138,028</u>
<b>Net position:</b>			
Net investment in capital assets	9,840,694	39,563,230	49,403,924
Restricted for:			
Capital projects	265,662	-	265,662
Transportation	2,006,157	-	2,006,157
Leisure time activity	181,300	-	181,300
Community environment	7,262	-	7,262
Other	31,972	-	31,972
Unrestricted	6,116,953	7,981,840	14,098,793
Total net position	<u>\$ 18,450,000</u>	<u>\$ 47,545,070</u>	<u>\$ 65,995,070</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>						
General government	\$ 3,516,392	\$ 873,766	\$ -	\$ (2,642,626)	\$ -	\$ (2,642,626)
Security of persons and property	984,202	-	-	(984,202)	-	(984,202)
Public health and welfare	184,418	67,373	-	(117,045)	-	(117,045)
Transportation	1,118,989	48,637	398,852	(671,500)	-	(671,500)
Community environment	549,429	-	-	(549,429)	-	(549,429)
Leisure time activity	569,488	203,578	-	(365,910)	-	(365,910)
Interest and fiscal charges	227,941	-	-	(227,941)	-	(227,941)
Bond issuance costs	30,310	-	-	(30,310)	-	(30,310)
<b>Total governmental activities</b>	<b>7,181,169</b>	<b>1,193,354</b>	<b>398,852</b>	<b>(5,588,963)</b>	<b>-</b>	<b>(5,588,963)</b>
<b>Business-type activities:</b>						
Water	1,874,582	1,805,025	-	-	(69,557)	(69,557)
Sewer	2,422,092	3,014,810	-	-	592,718	592,718
Storm water	374,056	245,805	-	-	(128,251)	(128,251)
<b>Total business-type activities</b>	<b>4,670,730</b>	<b>5,065,640</b>	<b>-</b>	<b>-</b>	<b>394,910</b>	<b>394,910</b>
<b>Total primary government</b>	<b>\$ 11,851,899</b>	<b>\$ 6,258,994</b>	<b>\$ 398,852</b>	<b>(5,588,963)</b>	<b>394,910</b>	<b>(5,194,053)</b>
		<b>General revenues:</b>				
		Property taxes levied for:				
		General purposes		386,748	-	386,748
		Income taxes levied for:				
		General purposes		6,929,927	-	6,929,927
		Lodging taxes levied for:				
		Special revenue		93,834	-	93,834
		Payments in lieu of taxes		241,547	-	241,547
		Grants and entitlements not restricted to specific programs		141,684	-	141,684
		Investment earnings		92,561	-	92,561
		Contributions and donations		50,000	-	50,000
		Other		674,541	9,247	683,788
		<b>Total general revenues</b>		<b>8,610,842</b>	<b>9,247</b>	<b>8,620,089</b>
		Change in net position		3,021,879	404,157	3,426,036
		<b>Net position at beginning of year</b>		<b>15,428,121</b>	<b>47,140,913</b>	<b>62,569,034</b>
		<b>Net position at end of year</b>		<b>\$ 18,450,000</b>	<b>\$ 47,545,070</b>	<b>\$ 65,995,070</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017

	General	Debt Service	Gender Road TIF	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents	\$ 6,693,402	\$ 64,310	\$ 84,395	\$ 2,270,326	\$ 9,112,433
Receivables:	-				
Income taxes	921,654	-	-	-	921,654
Real and other taxes	422,228	-	-	5,121	427,349
Accounts	39,675	-	-	973	40,648
Payments in lieu of taxes	-	-	162,982	212,732	375,714
Accrued interest	26,622	-	-	-	26,622
Special assessments	116,277	-	-	-	116,277
Due from other governments	85,116	-	-	204,780	289,896
Advances to other funds	405,000	-	-	-	405,000
Prepayments	49,169	-	-	260	49,429
Materials and supplies inventory	22,950	-	-	16,191	39,141
<b>Total assets</b>	<b>\$ 8,782,093</b>	<b>\$ 64,310</b>	<b>\$ 247,377</b>	<b>\$ 2,710,383</b>	<b>\$ 11,804,163</b>
<b>Liabilities:</b>					
Accounts payable	\$ 311,357	\$ -	\$ -	\$ 10,821	\$ 322,178
Retainage payable	16,245	-	-	-	16,245
Accrued wages and benefits payable	24,479	-	-	2,341	26,820
Advances from other funds	-	-	400,000	5,000	405,000
Due to other governments	240,778	-	-	3,381	244,159
Notes payable	75,000	-	-	-	75,000
Accrued interest payable	703	-	-	-	703
<b>Total liabilities</b>	<b>668,562</b>	<b>-</b>	<b>400,000</b>	<b>21,543</b>	<b>1,090,105</b>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year	405,340	-	-	-	405,340
Delinquent property tax revenue not available	16,888	-	-	-	16,888
Accrued interest not available	15,214	-	-	-	15,214
Special assessments revenue not available	116,277	-	-	-	116,277
Payment in lieu of tax revenue not available	-	-	162,982	212,732	375,714
Income tax revenue not available	465,515	-	-	-	465,515
Nonexchange transactions not available	71,749	-	-	136,590	208,339
<b>Total deferred inflows of resources</b>	<b>1,090,983</b>	<b>-</b>	<b>162,982</b>	<b>349,322</b>	<b>1,603,287</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>1,759,545</b>	<b>-</b>	<b>562,982</b>	<b>370,865</b>	<b>2,693,392</b>
<b>Fund balances:</b>					
Nonspendable	477,119	-	-	16,451	493,570
Restricted	-	-	-	2,323,067	2,323,067
Assigned	504,760	64,310	-	-	569,070
Unassigned	6,040,669	-	(315,605)	-	5,725,064
<b>Total fund balances</b>	<b>7,022,548</b>	<b>64,310</b>	<b>(315,605)</b>	<b>2,339,518</b>	<b>9,110,771</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,782,093</b>	<b>\$ 64,310</b>	<b>\$ 247,377</b>	<b>\$ 2,710,383</b>	<b>\$ 11,804,163</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2017

<b>Total governmental fund balances</b>		\$	9,110,771
<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.			18,034,034
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(22,576)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			112,184
Unamortized discounts on bond issuances are not recognized in the governmental funds.			5,194
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	465,515	
Real and other taxes receivable		16,888	
Intergovernmental receivable		208,339	
Special assessments receivable		116,277	
Investment income receivable		15,214	
Total		822,233	822,233
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:			
Deferred outflows - pension		825,462	
Deferred inflows - pension		(89,637)	
Net pension liability		(1,999,929)	
Total		(1,264,104)	(1,264,104)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(128,263)	
General obligation bonds payable		(6,135,000)	
Land purchase agreement		(741,020)	
Capital lease payable		(14,444)	
OPWC loans payable		(1,230,642)	
Lease purchase payable		(98,367)	
Total		(8,347,736)	(8,347,736)
<b>Net position of governmental activities</b>		\$	18,450,000

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Debt Service	Gender Road TIF	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Municipal income taxes	\$ 7,082,397	\$ -	\$ -	\$ -	\$ 7,082,397
Real and other taxes	388,246	-	-	93,834	482,080
Charges for services	126,088	-	-	-	126,088
Fines, licenses and permits	775,744	-	-	77,339	853,083
Payments in lieu of taxes	-	-	41,055	200,492	241,547
Intergovernmental	140,045	-	-	393,554	533,599
Special assessments	195,141	-	-	-	195,141
Investment income	89,992	-	-	6,584	96,576
Rental income	14,465	-	-	-	14,465
Contributions and donations	-	-	-	50,000	50,000
Other	670,493	1,818	-	2,230	674,541
<b>Total revenues</b>	<b>9,482,611</b>	<b>1,818</b>	<b>41,055</b>	<b>824,033</b>	<b>10,349,517</b>
<b>Expenditures:</b>					
Current:					
General government	3,291,439	-	41,434	7,595	3,340,468
Security of persons and property	984,202	-	-	-	984,202
Public health and welfare	129,418	-	-	55,000	184,418
Transportation	679,638	-	-	258,176	937,814
Community environment	596,074	-	-	-	596,074
Leisure time activity	455,260	-	-	77,785	533,045
Capital outlay	1,180,327	-	-	71,177	1,251,504
Debt service:					
Principal retirement	130,842	1,131,390	-	73,590	1,335,822
Interest and fiscal charges	13,495	184,346	-	2,784	200,625
Bond issuance costs	-	30,310	-	-	30,310
<b>Total expenditures</b>	<b>7,460,695</b>	<b>1,346,046</b>	<b>41,434</b>	<b>546,107</b>	<b>9,394,282</b>
Excess (deficiency) of revenues over (under) expenditures	2,021,916	(1,344,228)	(379)	277,926	955,235
<b>Other financing sources (uses):</b>					
Bond issuance	-	1,755,000	-	-	1,755,000
Payment to refunded bond escrow agent	-	(1,724,690)	-	-	(1,724,690)
Land purchase agreement proceeds	774,495	-	-	-	774,495
Transfers in	-	1,333,060	-	-	1,333,060
Transfers (out)	(1,333,060)	-	-	-	(1,333,060)
<b>Total other financing sources (uses)</b>	<b>(558,565)</b>	<b>1,363,370</b>	<b>-</b>	<b>-</b>	<b>804,805</b>
Net change in fund balances	1,463,351	19,142	(379)	277,926	1,760,040
<b>Fund balances at beginning of year</b>	<b>5,559,197</b>	<b>45,168</b>	<b>(315,226)</b>	<b>2,061,592</b>	<b>7,350,731</b>
<b>Fund balances at end of year</b>	<b>\$ 7,022,548</b>	<b>\$ 64,310</b>	<b>\$ (315,605)</b>	<b>\$ 2,339,518</b>	<b>\$ 9,110,771</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

<b>Net change in fund balances - total governmental funds</b>		\$	1,760,040
<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 depreciation expense exceeds capital outlays in the current period.			
Capital asset additions		\$ 1,756,120	
Current year depreciation		<u>(484,388)</u>	
Total			1,271,732
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.			
			(7,665)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
			(146,431)
Proceeds of bonds and loans 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.			
			(2,529,495)
Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.			
Principal retirement		\$ 1,335,822	
Payment to refunded bond escrow agent		<u>1,724,690</u>	
Total			3,060,512
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.			
			137,084
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.			
			(497,505)
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.			
Increase in accrued interest payable			(27,316)
Amortization of deferred amounts on refunding			(6,412)
Amortization of discounts			(437)
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>7,772</u>
<b>Change in net position of governmental activities</b>		<u>\$</u>	<u>3,021,879</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Municipal income taxes	\$ 5,900,000	\$ 5,900,000	\$ 6,978,857	\$ 1,078,857
Real and other taxes	385,100	385,100	388,246	3,146
Charges for services	113,000	113,000	126,088	13,088
Licenses, permits and fees	635,125	635,125	780,071	144,946
Intergovernmental	146,375	146,375	141,002	(5,373)
Special assessments	187,500	187,500	195,141	7,641
Investment income	85,000	85,000	78,749	(6,251)
Rental income	8,000	8,000	14,465	6,465
Other	28,100	28,100	667,783	639,683
<b>Total revenues</b>	<u>7,488,200</u>	<u>7,488,200</u>	<u>9,370,402</u>	<u>1,882,202</u>
<b>Expenditures:</b>				
Current:				
General government	2,856,119	3,064,786	2,745,482	319,304
Security of persons and property	1,014,775	1,074,724	1,069,880	4,844
Public health and welfare	147,058	163,116	145,477	17,639
Transportation	563,813	931,476	811,538	119,938
Community environment	727,314	757,538	631,288	126,250
Leisure time activity	496,737	503,252	461,633	41,619
Capital outlay	764,394	1,343,438	1,250,398	93,040
Debt service:				
Principal retirement	28,500	61,975	55,842	6,133
Interest and fiscal charges	2,250	13,742	12,792	950
<b>Total expenditures</b>	<u>6,600,960</u>	<u>7,914,047</u>	<u>7,184,330</u>	<u>729,717</u>
<b>Excess of revenues over (under) expenditures</b>	<u>887,240</u>	<u>(425,847)</u>	<u>2,186,072</u>	<u>2,611,919</u>
<b>Other financing sources (uses):</b>				
Advances in	40,000	40,000	-	(40,000)
Transfers (out)	(1,167,000)	(1,342,000)	(1,333,060)	8,940
<b>Total other financing sources (uses)</b>	<u>(1,127,000)</u>	<u>(1,302,000)</u>	<u>(1,333,060)</u>	<u>(31,060)</u>
<b>Net change in fund balances</b>	(239,760)	(1,727,847)	853,012	2,580,859
<b>Fund balance at beginning of year</b>	4,896,022	4,896,022	4,896,022	-
<b>Prior year encumbrances appropriated</b>	239,760	239,760	239,760	-
<b>Fund balance at end of year</b>	<u>\$ 4,896,022</u>	<u>\$ 3,407,935</u>	<u>\$ 5,988,794</u>	<u>\$ 2,580,859</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENDER ROAD TIF FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Payments in lieu of taxes	\$ 120,000	\$ 120,000	\$ 41,055	\$ (78,945)
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>41,055</u>	<u>(78,945)</u>
<b>Expenditures:</b>				
Current:				
General government	82,500	82,500	41,434	41,066
Total expenditures	<u>82,500</u>	<u>82,500</u>	<u>41,434</u>	<u>41,066</u>
Net change in fund balances	37,500	37,500	(379)	(37,879)
<b>Fund balance at beginning of year</b>	84,773	84,773	84,773	-
<b>Fund balance at end of year</b>	<u>\$ 122,273</u>	<u>\$ 122,273</u>	<u>\$ 84,394</u>	<u>\$ (37,879)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2017

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 2,859,061	\$ 5,341,472	\$ 248,567	\$ 8,449,100
Receivables:				
Accounts	222,824	326,030	40,110	588,964
Prepayments	17,696	12,445	3,353	33,494
Materials and supplies inventory	18,083	6,214	-	24,297
<b>Total current assets</b>	<b>3,117,664</b>	<b>5,686,161</b>	<b>292,030</b>	<b>9,095,855</b>
Noncurrent assets:				
Capital assets:				
Land and construction in progress	959,435	229,877	37,215	1,226,527
Depreciable capital assets, net	13,582,600	23,484,630	7,960,859	45,028,089
<b>Total capital assets, net</b>	<b>14,542,035</b>	<b>23,714,507</b>	<b>7,998,074</b>	<b>46,254,616</b>
<b>Total assets</b>	<b>17,659,699</b>	<b>29,400,668</b>	<b>8,290,104</b>	<b>55,350,471</b>
<b>Deferred outflows of resources:</b>				
Unamortized deferred charges on debt refunding	-	93,346	-	93,346
Pension	149,760	140,598	28,080	318,438
<b>Total deferred outflows of resources</b>	<b>149,760</b>	<b>233,944</b>	<b>28,080</b>	<b>411,784</b>
<b>Total assets and deferred outflows of resources</b>	<b>17,809,459</b>	<b>29,634,612</b>	<b>8,318,184</b>	<b>55,762,255</b>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	38,091	100,120	274	138,485
Accrued wages and benefits payable	6,257	6,005	1,586	13,848
Compensated absences payable - current	34,585	28,374	6,865	69,824
Due to other governments	15,490	4,574	972	21,036
Retainage payable	-	10,045	-	10,045
Accrued interest payable	33,805	28,937	2,414	65,156
Revenue bonds payable	-	290,000	-	290,000
OWDA loans payable	221,603	48,236	-	269,839
OPWC loans payable	29,078	11,874	-	40,952
Capital lease obligations payable	3,220	4,173	3,220	10,613
Notes payable	-	167,500	257,500	425,000
<b>Total current liabilities</b>	<b>382,129</b>	<b>699,838</b>	<b>272,831</b>	<b>1,354,798</b>
Long-term liabilities:				
Compensated absences payable	34,271	41,438	8,974	84,683
Revenue bonds payable	-	1,895,000	-	1,895,000
OWDA loans payable	2,291,953	729,084	-	3,021,037
OPWC loans payable	741,484	72,023	-	813,507
Capital lease obligations payable	3,302	2,136	3,301	8,739
Net pension liability	484,831	454,529	90,906	1,030,266
<b>Total long-term liabilities</b>	<b>3,555,841</b>	<b>3,194,210</b>	<b>103,181</b>	<b>6,853,232</b>
<b>Total liabilities</b>	<b>3,937,970</b>	<b>3,894,048</b>	<b>376,012</b>	<b>8,208,030</b>
<b>Deferred inflows of resources:</b>				
Pension	3,492	2,705	2,958	9,155
<b>Total deferred inflows of resources</b>	<b>3,492</b>	<b>2,705</b>	<b>2,958</b>	<b>9,155</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>3,941,462</b>	<b>3,896,753</b>	<b>378,970</b>	<b>8,217,185</b>
<b>Net position:</b>				
Net investment in capital assets	11,251,395	20,577,782	7,734,053	39,563,230
Unrestricted	2,616,602	5,160,077	205,161	7,981,840
<b>Total net position</b>	<b>\$ 13,867,997</b>	<b>\$ 25,737,859</b>	<b>\$ 7,939,214</b>	<b>\$ 47,545,070</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Operating revenues:</b>				
Charges for services	\$ 1,496,858	\$ 1,820,879	\$ 245,805	\$ 3,563,542
Tap-in fees	308,167	1,193,931	-	1,502,098
Other operating revenues	224	8,742	281	9,247
<b>Total operating revenues</b>	<b>1,805,249</b>	<b>3,023,552</b>	<b>246,086</b>	<b>5,074,887</b>
<b>Operating expenses:</b>				
Personal services	537,546	605,514	116,733	1,259,793
Contract services	392,749	581,084	31,928	1,005,761
Materials and supplies	275,895	44,657	18,392	338,944
Depreciation	592,944	1,082,312	205,594	1,880,850
<b>Total operating expenses</b>	<b>1,799,134</b>	<b>2,313,567</b>	<b>372,647</b>	<b>4,485,348</b>
Operating income (loss)	6,115	709,985	(126,561)	589,539
<b>Nonoperating expenses:</b>				
Interest and fiscal charges	(68,654)	(106,824)	(1,409)	(176,887)
Loss on sale of capital assets	(6,794)	(1,701)	-	(8,495)
<b>Total nonoperating expenses</b>	<b>(75,448)</b>	<b>(108,525)</b>	<b>(1,409)</b>	<b>(185,382)</b>
Change in net position	(69,333)	601,460	(127,970)	404,157
<b>Net position at beginning of year</b>	<b>13,937,330</b>	<b>25,136,399</b>	<b>8,067,184</b>	<b>47,140,913</b>
<b>Net position at end of year</b>	<b>\$ 13,867,997</b>	<b>\$ 25,737,859</b>	<b>\$ 7,939,214</b>	<b>\$ 47,545,070</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 1,472,583	\$ 1,716,251	\$ 242,968	\$ 3,431,802
Cash received from tap-in fees	308,167	1,193,931	-	1,502,098
Cash received from other operations	224	8,742	281	9,247
Cash payments for personal services	(457,468)	(415,383)	(94,147)	(966,998)
Cash payments for contract services	(370,599)	(621,052)	(40,684)	(1,032,335)
Cash payments for materials and supplies	(274,172)	(45,915)	(19,326)	(339,413)
Net cash provided by operating activities	<u>678,735</u>	<u>1,836,574</u>	<u>89,092</u>	<u>2,604,401</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(272,230)	(362,425)	(40,361)	(675,016)
Bond anticipation notes	-	167,500	257,500	425,000
Principal payments on bond anticipation notes	-	(230,000)	(320,000)	(550,000)
Principal retirement on revenue bonds	-	(285,000)	-	(285,000)
Principal retirement on capital lease	(19,018)	(3,991)	(6,541)	(29,550)
Principal retirement on OWDA loans	(215,632)	(47,230)	-	(262,862)
Principal retirement on OPWC loans	(29,078)	(11,526)	-	(40,604)
Interest and fiscal charges	(71,639)	(86,000)	(7,995)	(165,634)
Net cash used in capital and related financing activities	<u>(607,597)</u>	<u>(858,672)</u>	<u>(117,397)</u>	<u>(1,583,666)</u>
Net increase (decrease) in cash and cash equivalents	71,138	977,902	(28,305)	1,020,735
<b>Cash and cash equivalents at beginning of year</b>	2,787,923	4,363,570	276,872	7,428,365
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,859,061</u>	<u>\$ 5,341,472</u>	<u>\$ 248,567</u>	<u>\$ 8,449,100</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 6,115	\$ 709,985	\$ (126,561)	\$ 589,539
Adjustments:				
Depreciation	592,944	1,082,312	205,594	1,880,850
Changes in assets, deferred outflows, liabilities and deferred inflows:				
(Increase) decrease in accounts receivable	(24,275)	(104,628)	(2,837)	(131,740)
Decrease (increase) in materials and supplies inventory	2,704	(3,829)	-	(1,125)
Increase in accrued wages and benefits	370	105	406	881
Increase in retainage payable	-	10,045	-	10,045
Increase (decrease) in accounts payable	13,831	17,100	(6,275)	24,656
Increase (decrease) in compensated absences payable	(35,559)	31,601	1,314	(2,644)
(Increase) decrease in deferred outflows of resources - pension	(7,280)	1,576	1,355	(4,349)
Increase (decrease) in net pension liability	127,222	97,686	17,027	241,935
Increase (decrease) in deferred inflows of resources - pension	(3,507)	(4,279)	1,512	(6,274)
(Decrease) increase in due to other governments	7,425	(58)	31	7,398
Decrease (increase) in prepayments	(1,255)	(1,042)	(2,474)	(4,771)
Net cash provided by operating activities	<u>\$ 678,735</u>	<u>\$ 1,836,574</u>	<u>\$ 89,092</u>	<u>\$ 2,604,401</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
DECEMBER 31, 2017

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 437,667
Cash in segregated accounts	<u>18,500</u>
Total assets	<u><u>\$ 456,167</u></u>
<b>Liabilities:</b>	
Due to others	<u>\$ 456,167</u>
Total liabilities	<u><u>\$ 456,167</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 1 - DESCRIPTION OF THE CITY**

The City of Canal Winchester (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City operates under a Council-Mayor form of government and provides the following services: police protection (through Fairfield County), water, sewer and storm water utility services, park operations, street maintenance and repair, as well as general governmental services.

Management believes the financial statements included in this report represent all of the funds of the City over which the City officials are financially accountable.

**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 basic financial statements 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 City has no component units. The following organization is described due to its relationship to the City:

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Canal Winchester Industry and Commerce Corporation (the "CWICC")

The CWICC is a legally separate, non-profit corporation created on August 22, 1994 pursuant to the provisions of Ohio Rev. Code Section 1724.10. The CWICC is governed by a five-member Board of Trustees. Two of the members are from elected City officials and the remaining three members are elected by the CWICC. Vacancies are appointed by the remaining Trustees by an affirmative majority vote. The CWICC's sole purpose is to carry out the Plan of Industrial, Commercial, Distribution and Research Development for the City. The City is not required under this agreement to provide any financial contribution to the CWICC. The City did not expend any money in 2017 to the CWICC. The CWICC can incur debt, mortgage its property acquired, otherwise issue its obligations for the purpose of acquiring, constructing, improving and equipping buildings, structures and other properties and acquiring sites. The financial activities of the CWICC are not included in the financial statements of the City.

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

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

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City.

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

***Fund Financial Statements*** - Fund financial statements report detailed information about the City. 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 fund type.

Proprietary funds distinguish operating transactions from nonoperating transactions. 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 transactions of the City's proprietary funds are charges for sales and services, and include personnel and other expenses related to the operations of the enterprise activity. All other revenues and expenses not meeting these definitions are reported as nonoperating transactions.

**C. Fund Accounting**

The City uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific revenues and expenses. The transactions of each fund are reflected in a self-balancing group of accounts. The City classifies each fund as either governmental, proprietary or fiduciary.

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

*General fund* - This fund is used to account for and report all financial resources of the City except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Debt service fund* - This fund accounts for and reports all transactions relating to the payment of debt.

*Gender road tax increment financing fund* - This fund receives payments in lieu of taxes for various improvements.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

***Proprietary Funds*** - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the City's major enterprise funds:

*Sewer fund* - This fund accounts for the user charges and expenses of maintaining the sewer lines and facilities of the City.

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

*Storm water fund* - This fund accounts for storm water operations.

***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. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has three agency funds which account for the City's Mayor's Court, Meijer agency fund and Greengate Drive agency fund.

**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, all deferred outflows, all liabilities and all 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, current deferred outflows, current liabilities and current deferred inflows 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.



**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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 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.

**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 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 in the presentation of expenses versus expenditures.

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

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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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 Inflows of Resources and Deferred Outflows of Resources*** - A deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period.

For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions. The City also reports deferred outflows of resources for current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt.

Property taxes for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance year 2018 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2017, are recorded as deferred inflows on the governmental fund financial statements.

The City also reports deferred inflow of resources for the following items related to the City's net pension liability: (1) the City's contributions to the pension systems subsequent to the measurement date and (2) differences between projected and actual investment earnings on pension plan assets. These deferred inflows of resources are only reported on the government-wide statement of net position.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

*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 Process**

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 appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the City's Council.

*Tax Budget:*

A budget of estimated cash receipts and disbursements 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. The purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget 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 receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the City determined that receipts collected will be greater than or less than the prior estimate and the Budget Commission finds the revised estimate to be reasonable.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

On or before December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. The amounts reported within the budgetary statements reflect the original and final estimated resources as certified by the County Budget Commission.

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The City legally adopted appropriation amendments during 2017. The budgetary statement reflects the original and final appropriations as approved by Council.

*Encumbrances:*

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**G. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Interest earnings are allocated as authorized by State statute.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

The City invested in STAR Ohio during 2017. STAR Ohio (the State Treasury Asset Reserve of 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 District measures their 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 2017, 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.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2017 amounted to \$89,992, which included \$55,490 assigned from other funds of the City.

**H. Inventories of Materials and Supplies**

On government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

**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 acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

The City's infrastructure consists of 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. Interest incurred during the construction of capital assets is also capitalized for business-type activities. All reported capital assets are depreciated except for land and intangibles. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	10-50 years	-
Buildings and improvements	50 years	25-50 years
Furniture and Equipment	5-20 years	10-20 years
Vehicles	8 years	8 years
Infrastructure	20-30 years	30-50 years

**J. Compensated Absences**

Compensated absences of the City consist of vacation leave, sick leave, comp time and personal leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with 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 attributable 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. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees 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 total liability for compensated absence payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation leave, sick leave, comp time and personal leave in varying amounts.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates. 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.

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, long-term notes, loans and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

**L. 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 basic financial statements.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

On fund financial statements, receivables and payables to cover deficit cash balances are classified as “interfund receivables/payables.” On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as “advances to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net position.

**M. 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.

*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 or 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 City Council or a City official delegated that authority by City Charter or ordinance.



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

State statute authorizes the City Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The future appropriations amount assigned in the General Fund represents 2018 appropriations that exceed estimated resources.

*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.

**N. Estimates**

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

**O. Net Position**

Net position represents the difference between assets plus deferred outflows less liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**P. Prepayments**

Payments made to vendors for services that will benefit beyond December 31, 2017 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2017.

**R. Fair Value**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**S. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction and from contributions from governmental funds.

**T. Unamortized Bond Discounts/Accounting Gain or Loss**

Bond discounts are amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

On the governmental fund financial statements bond discounts and net gains or losses from refunding are recognized in the current period.

**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**

**Deficit Fund Balance**

Fund balances at December 31, 2017 included a deficit of \$315,605 in the Gender Road TIF fund. The General fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City into three categories.

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

Interim monies 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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, above, 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 State Treasury Asset Reserve of Ohio (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 CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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 Finance Director 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 \$150 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and investments".

**B. Cash in Segregated Accounts**

At year end, \$18,500 was on deposit for the mayor's court account and was held outside of the City's treasury. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts".

**C. Deposits with Financial Institutions**

At December 31, 2017, the carrying amount of all City deposits was \$9,331,211. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2017, \$8,656,338 of the City's bank balance of \$9,424,838 was exposed to custodial credit risk as discussed below, while \$768,500 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. The City has no deposit policy for custodial credit risk beyond the requirements of State statute.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2017, the City's financial institution was approved for a collateral rate of 102 percent through the OPCS. Although 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.

**D. Investments**

As of December 31, 2017, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value Hierarchy</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
			<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>Greater than 24 months</u>
FFCB	Level 2	\$ 1,287,939	\$ -	\$ -	\$ 794,544	\$ 493,395
FHLMC	Level 2	1,880,861	-	-	-	1,880,861
FHLB	Level 2	2,859,793	-	-	-	2,859,793
Negotiable CD's	Level 2	2,476,183	247,772	-	248,233	1,980,178
STAR Ohio	N/A	164,414	164,414	-	-	-
U.S. Govt. Money Market	N/A	17,149	17,149	-	-	-
Total		<u>\$ 8,686,339</u>	<u>\$ 429,335</u>	<u>\$ -</u>	<u>\$ 1,042,777</u>	<u>\$ 7,214,227</u>

The weighted average maturity of investments is 3.10 years.

*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 and U.S. Government money market mutual funds carry 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 rating service. The federal agency securities carry a rating of AA+ and Aaa by Standard & Poor's and Moody, respectively. The negotiable CDs are not rated. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. 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 Finance Director 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, 2017:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 1,287,939	14.83
FHLMC	1,880,861	21.65
FHLB	2,859,793	32.92
Negotiable CD's	2,476,183	28.51
STAR Ohio	164,414	1.89
U.S. Government money market	<u>17,149</u>	<u>0.20</u>
Total	<u>\$ 8,686,339</u>	<u>100.00</u>

**E. Reconciliation of Cash and Investments 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, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,331,211
Investments	8,686,339
Cash on hand	<u>150</u>
Total	<u>\$ 18,017,700</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

<u>Cash and investments per statement of position</u>	
Governmental activities	\$ 9,112,433
Business-type activities	8,449,100
Agency fund	<u>456,167</u>
Total	<u>\$ 18,017,700</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at December 31, 2017, as reported on the fund statements as advances to/from other funds consist of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Gender road tif	\$ 400,000
General	Other Governmental Funds	5,000

The primary purpose of the advances to/from other funds is to cover costs in specific funds where revenues were not received by December 31. These interfund balances will be repaid once the anticipated revenues are received. The interfund balances are not expected to be repaid within one year.

- B. Interfund transfers for the fiscal year ended December 31, 2017, consisted of the following, as reported on the fund financial statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Debt service fund	\$ 1,333,060

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers made in fiscal year 2017 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**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 revaluated 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.



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 6 - PROPERTY TAXES - (Continued)**

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. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 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 Canal Winchester. 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, 2017 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 2017 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 deferred.

The assessed values of real and public utility property upon which 2017 property tax receipts were based are as follows:

Real property tax	\$ 212,515,660
Public utility tangible personal property	<u>3,651,000</u>
Total assessed value	<u><u>\$ 216,166,660</u></u>

**NOTE 7 - LOCAL INCOME TAX**

This locally levied tax of 2.0% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. The City gives a 100% credit to the tax paid to another municipality to the maximum of the total amount assessed. It also applies to the net income of business organizations located within the City. The City of Columbus administers and collects income taxes for the City. Payments, net of collection fees, are remitted monthly for tax receipts received by the City of Columbus in the prior month. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2017. Income tax revenue for 2017 was \$7,082,397 as reported in the fund financial statements. Income tax revenue is reported in the general fund.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 8 - TAX INCREMENT FINANCING DISTRICTS (TIF)**

The City, pursuant to the Ohio Revised Code and City ordinances, has established TIFs. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as "payments in lieu of taxes (PILOT), as though the TIF had not been established. These "PILOTS" are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOT revenue was \$241,547 in 2017 as reported in the fund financial statements. The TIFs have a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2017, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), accrued interest, 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 basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2017. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Income taxes	\$ 921,654
Property and other local taxes	427,349
Payments in lieu of taxes	375,714
Accounts	40,648
Special assessments	116,277
Accrued interest	26,662
Due from other governments	289,896

**Business-type activities:**

Accounts	588,964
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Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 10 - CAPITAL ASSETS**

A. Governmental activities capital asset activity at December 31, 2017 was as follows:

<b><u>Governmental activities:</u></b>	Balance 12/31/16	Additions	Deductions	Balance 12/31/2017
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,246,199	\$ 781,795	\$ -	\$ 3,027,994
Construction in progress	-	687,214	-	687,214
Intangibles	257,247	-	-	257,247
<b>Total capital assets, not being depreciated</b>	<b>2,503,446</b>	<b>1,469,009</b>	<b>-</b>	<b>3,972,455</b>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,315,011	-	-	1,315,011
Buildings and improvements	5,584,282	162,700	-	5,746,982
Furniture and equipment	854,868	61,109	(11,500)	904,477
Vehicles	783,549	63,302	(16,895)	829,956
Infrastructure	8,844,996	-	-	8,844,996
<b>Total capital assets, being depreciated</b>	<b>17,382,706</b>	<b>287,111</b>	<b>(28,395)</b>	<b>17,641,422</b>
<i>Less: accumulated depreciation:</i>				
Land improvements	(423,850)	(26,144)	-	(449,994)
Buildings and improvements	(914,963)	(101,982)	-	(1,016,945)
Furniture and equipment	(293,899)	(63,485)	3,623	(353,761)
Vehicles	(517,091)	(17,644)	17,107	(517,628)
Infrastructure	(966,382)	(275,133)	-	(1,241,515)
<b>Total accumulated depreciation</b>	<b>(3,116,185)</b>	<b>(484,388)</b>	<b>20,730</b>	<b>(3,579,843)</b>
<b>Total capital assets, being depreciated net</b>	<b>14,266,521</b>	<b>(197,277)</b>	<b>(7,665)</b>	<b>14,061,579</b>
<b>Governmental activities, net</b>	<b>\$ 16,769,967</b>	<b>\$ 1,271,732</b>	<b>\$ (7,665)</b>	<b>\$ 18,034,034</b>

Depreciation expense was charged to governmental activities as follows:

<b><u>Governmental activities:</u></b>	
General government	\$ 68,086
Transportation	358,487
Leisure time activity	57,815
<b>Total depreciation expense - governmental activities</b>	<b>\$ 484,388</b>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 10 - CAPITAL ASSETS - (Continued)**

B. Business-type activities capital asset activity at December 31, 2017 was as follows:

<b><u>Business-type activities:</u></b>	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2017</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 913,400	\$ -	\$ -	\$ 913,400
Intangibles	-	60,561	-	60,561
Construction in progress	-	252,566	-	252,566
Total capital assets, not being depreciated	<u>913,400</u>	<u>313,127</u>	<u>-</u>	<u>1,226,527</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	14,495,926	-	-	14,495,926
Furniture and equipment	1,346,404	131,623	(10,322)	1,467,705
Vehicles	225,893	44,437	(45,033)	225,297
Infrastructure	55,799,356	185,829	-	55,985,185
Total capital assets, being depreciated	<u>71,867,579</u>	<u>361,889</u>	<u>(55,355)</u>	<u>72,174,113</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(3,767,909)	(267,728)	-	(4,035,637)
Furniture and equipment	(469,007)	(68,444)	8,621	(528,830)
Vehicles	(103,819)	(19,738)	38,239	(85,318)
Infrastructure	(20,971,299)	(1,524,940)	-	(22,496,239)
Total accumulated depreciation	<u>(25,312,034)</u>	<u>(1,880,850)</u>	<u>46,860</u>	<u>(27,146,024)</u>
Total capital assets, being depreciated, net	<u>46,555,545</u>	<u>(1,518,961)</u>	<u>(8,495)</u>	<u>45,028,089</u>
Business-type activities capital assets, net	<u>\$ 47,468,945</u>	<u>\$ (1,205,834)</u>	<u>\$ (8,495)</u>	<u>\$ 46,254,616</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE**

In years 2014 and 2015, the City entered into lease purchase agreements with a financial institution to assist in financing new trucks. During 2016, the City entered into lease purchase agreements for the purchase of a wheel loader, chipper and a durapatcher.

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements. Principal payments from all funds in 2017 totaled \$116,815. Principal and interest payments are made from the street construction and maintenance fund, the state highway fund, the permissive fund, (nonmajor governmental funds), the general fund, the water fund sewer fund and the storm water fund.

Capital assets consisting of equipment have been capitalized in the amount of \$354,661. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2017 was \$94,297 leaving a book value of \$260,364.

New and existing equipment is being used by both governmental activities and business-type activities.

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2017:

Year Ending <u>December 31,</u>	Governmental <u>Activities</u>	Water <u>Fund</u>	Sewer <u>Fund</u>	Storm Water <u>Fund</u>
2018	\$ 61,044	\$ 3,364	\$ 2,242	\$ 3,364
2019	40,734	3,363	2,243	3,363
Total minimum lease payments	101,778	6,727	4,485	6,727
Less: amount representing interest	<u>(3,411)</u>	<u>(205)</u>	<u>(202)</u>	<u>(206)</u>
Present value of future minimum lease payments	<u>\$ 98,367</u>	<u>\$ 6,522</u>	<u>\$ 4,283</u>	<u>\$ 6,521</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE**

At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$53,681, of this amount \$44,931 is recorded in the governmental activities and \$8,750 in the sewer fund. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2017 was \$33,819 leaving a current book value of \$19,862. A corresponding liability was recorded in the government-wide financial statements and in the sewer fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2017.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Sewer Fund</u>
2018	\$ 20,392	\$ 3,988
2019	<u>2,145</u>	<u>-</u>
Total future minimum lease payments	22,537	3,988
Less: amount representing interest	<u>(8,093)</u>	<u>(1,962)</u>
Present value of net minimum lease payments	<u>\$ 14,444</u>	<u>\$ 2,026</u>

**NOTE 13 - SHORT-TERM OBLIGATIONS**

The City's short-term note activity for the year ended December 31, 2017, was as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/17</u>
<b>Governmental activities:</b>						
Bond anticipation note	5/5/2016	1.50%	\$ 150,000	\$ -	\$ (150,000)	\$ -
Bond anticipation note	5/3/2017	1.50%	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total			<u>\$ 150,000</u>	<u>\$ 75,000</u>	<u>\$ (150,000)</u>	<u>\$ 75,000</u>

The City's bond anticipation notes are backed by the full faith and credit of the City and have a maturity of one year.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities**

During 2017, the following changes occurred in the governmental activities long-term obligations:

<b>Governmental activities:</b>	Interest <u>Rate</u>	Maturity <u>Date</u>	Balance at <u>12/31/16</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/17</u>	Amounts Due in <u>One Year</u>
<u>General obligation bonds</u>							
Refunding bonds, 2017	3.75%-4.5%	12/01/2028	\$ -	\$ 1,755,000	\$ (30,000)	\$ 1,725,000	\$ 20,000
G.O. Municipal facilities bonds, 2015	5.50%	01/01/2030	3,270,000	-	(230,000)	3,040,000	230,000
Capital appreciation bonds, series 2004	11.03%	12/01/2019	65,000	-	-	65,000	34,243
Various purp. refunding bonds, series 2013	2.53%	12/01/2024	1,060,000	-	(160,000)	900,000	10,000
G.O. Various purpose bonds, 2008	3.00-4.50%	12/01/2028	<u>2,440,000</u>	<u>-</u>	<u>(2,035,000)</u>	<u>405,000</u>	<u>405,000</u>
Total general obligations bonds			<u>6,835,000</u>	<u>1,755,000</u>	<u>(2,455,000)</u>	<u>6,135,000</u>	<u>699,243</u>
<u>OPWC loans</u>							
#CC05B - Washington St.	0.00%	7/01/2020	156,466	-	(39,117)	117,349	39,117
#CC02D - North High St.	0.00%	7/01/2023	131,580	-	(18,797)	112,783	18,797
#CC03E - West Waterloo #1	0.00%	1/01/2024	225,618	-	(30,082)	195,536	30,082
#CC04F - West Waterloo #2	0.00%	1/01/2025	431,637	-	(50,781)	380,856	50,781
#CC04K - Columbus St	0.00%	1/01/2029	285,000	-	(22,800)	262,200	22,800
#CC06L - Thrush Drive	0.00%	1/01/2034	<u>171,731</u>	<u>-</u>	<u>(9,813)</u>	<u>161,918</u>	<u>9,813</u>
Total OPWC loans			<u>1,402,032</u>	<u>-</u>	<u>(171,390)</u>	<u>1,230,642</u>	<u>171,390</u>
<u>Other long-term obligations</u>							
Bond anticipation notes	1.50%	5/4/2017	75,000	-	(75,000)	-	-
Land purchase agreement	3.00%	4/1/2027	-	774,495	(33,475)	741,020	68,470
Net pension liability			1,685,318	314,611	-	1,999,929	-
Compensated absences			136,035	110,602	(118,374)	128,263	83,111
Lease purchase agreement			187,418	-	(89,051)	98,367	59,136
Capital lease agreements			<u>21,350</u>	<u>-</u>	<u>(6,906)</u>	<u>14,444</u>	<u>12,330</u>
Total other long-term obligations			<u>2,105,121</u>	<u>1,199,708</u>	<u>(322,806)</u>	<u>2,982,023</u>	<u>223,047</u>
Total governmental activities			<u>\$ 10,342,153</u>	<u>\$ 2,954,708</u>	<u>\$ (2,949,196)</u>	<u>10,347,665</u>	<u>\$ 1,093,680</u>
Less: Unamortized discount on bond issuance						<u>(5,194)</u>	
Total on statement of net position						<u>\$ 10,342,471</u>	

Compensated Absences:

Compensated absences are reported in the statement of net position and will be paid from the fund from which the employees' salaries are paid which will primarily be the general fund and the street construction and maintenance fund (a nonmajor governmental fund).

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

*Bond Anticipation Notes:*

The City issued \$500,000 (\$75,000 in short-term governmental activities, \$257,500 in storm water and \$167,500 in sewer) in roadway, sewer and storm water improvement notes on May 4, 2017. The notes bear an interest rate of 1.50% and mature on May 5, 2018. The notes were issued to retire the bond anticipation notes series 2016.

*Lease Purchase Agreements:*

See Note 11 for detail on the lease purchase agreements.

*Capital Lease Agreements:*

See Note 12 for detail on the capital lease agreements.

*General Obligation Bonds:*

The 2008 general obligation various purpose refunding issue is comprised of current interest bonds, par value \$5,790,000, with an annual interest rate ranging from 3.00% - 4.50% and mature on December 1, 2028.

On December 17, 2013, the City issued general obligation refunding bonds (various purpose refunding bonds, series 2013). These bonds refunded the \$1,300,000 callable portion of the Series 2004 issue. These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The bonds bear an annual interest rate of 2.53% and mature on December 1, 2024.

Proceeds of \$1,354,059 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various purpose bonds. As a result, \$1,300,000 of these bonds of these bonds are considered defeased and the liability for the refunded portion of these bonds have been removed from the City's financial statements.

The reacquisition price exceeded the net carrying amount of the old debt by \$54,059 for governmental activities. This amount is presented as a deferred charge on refunding and amortized over the remaining life of the new debt.

On April 15, 2015, the City issued general obligation refunding bonds totaling \$3,500,000 for the purpose of municipal facility improvements. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund.



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The bonds bear an annual interest rate of 5.50% and mature on January 1, 2030.

On September 29, 2017, the City issued general obligation refunding bonds (refunding bonds, series 2017). These bonds refunded the \$1,645,000 callable portion of the Series 2008 issue. These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The bonds bear an annual interest rate of 3.75%-4.5% and mature on December 1, 2028.

Proceeds of \$1,724,690 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various purpose bonds. As a result, \$1,645,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds have been removed from the City's financial statements.

The reacquisition price exceeded the net carrying amount of the old debt by \$79,690 for governmental activities. This amount is presented as a deferred charge on refunding and amortized over the remaining life of the new debt. The economic gain resulting from this transaction was \$116,826.

The following is a summary of the City's future annual debt service requirements for the general obligation bonds:

Year Ended <u>December 31,</u>	<u>General Obligation Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 699,243	\$ 274,671	\$ 973,914
2019	705,757	256,308	962,065
2020	530,000	116,522	646,522
2021	535,000	103,459	638,459
2022	545,000	90,266	635,266
2023-2027	2,265,000	260,455	2,525,455
2028-2030	855,000	39,870	894,870
Total	<u>\$ 6,135,000</u>	<u>\$ 1,141,551</u>	<u>\$ 7,276,551</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Land Purchase Agreement:

During 2017 the City purchased property for purposes of future development and secured a loan agreement with the property owner. The loan agreement bears interest of 3% and is payable in quarterly installments of \$22,483.71 based on a ten year amortization schedule. The following is a summary of the City future annual debt service requirements to service this debt which will be paid from the General fund:

Year Ended December 31,	Land Purchase Agreement		
	Principal	Interest	Total
2018	\$ 68,470	\$ 21,465	\$ 89,935
2019	70,547	19,388	89,935
2020	72,687	17,247	89,934
2021	74,893	15,042	89,935
2022	77,165	12,770	89,935
2023-2027	<u>377,258</u>	<u>27,449</u>	<u>404,707</u>
Total	<u>\$ 741,020</u>	<u>\$ 113,361</u>	<u>\$ 854,381</u>

OPWC Loans:

Ohio Public Works Commission Loans (OPWC) have been issued for various street improvements. The loans are interest free and principal payments are made from the debt service fund. The following is a summary of the City's future annual debt service principal requirements for the OPWC loans:

Year Ended December 31,	Principal
2018	\$ 171,390
2019	171,390
2020	171,390
2021	132,273
2022	132,273
2023-2027	353,941
2028-2032	83,265
2033-2034	<u>14,720</u>
Total	<u>\$ 1,230,642</u>

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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

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, 2017, the City's total debt margin was \$16,626,809 and the unvoted debt margin was \$11,889,166.

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**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Business-Type Activities**

During 2017, the following changes occurred in the business-type long-term obligations:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/17</u>	<u>Due in One Year</u>
<u>Revenue bonds</u>							
Sanitary sewer refunding bonds	2.530%	12/01/2024	\$ 2,470,000	\$ -	\$ (285,000)	\$ 2,185,000	\$ 290,000
Total revenue bonds			<u>2,470,000</u>	<u>-</u>	<u>(285,000)</u>	<u>2,185,000</u>	<u>290,000</u>
<u>OPWC loans</u>							
#CC01C - Sanitary sewer rehab	3.00%	1/01/2024	95,423	-	(11,526)	83,897	11,874
#CC15P - Tanktown Waterline	0.00%	1/1/2044	799,640	-	(29,078)	770,562	29,078
Total OPWC loans			<u>895,063</u>	<u>-</u>	<u>(40,604)</u>	<u>854,459</u>	<u>40,952</u>
<u>OWDA loans</u>							
#4523 - Water treatment plant construction	2.75%	7/01/2027	2,208,451	-	(174,489)	2,033,962	179,320
#4672 - Well field & raw water line	2.75%	7/01/2027	520,737	-	(41,143)	479,594	42,283
#5772 - Sewer system upgrades	2.12%	7/1/2031	824,550	-	(47,230)	777,320	48,236
Total OWDA loans			<u>3,553,738</u>	<u>-</u>	<u>(262,862)</u>	<u>3,290,876</u>	<u>269,839</u>
<u>Other long-term obligations:</u>							
Lease purchase agreement			45,090	-	(27,764)	17,326	8,587
Capital lease obligation			3,812	-	(1,786)	2,026	2,026
Net pension liability			788,331	241,935	-	1,030,266	-
Compensated absences			157,151	129,603	(132,247)	154,507	69,824
Total long-term obligations			<u>994,384</u>	<u>371,538</u>	<u>(161,797)</u>	<u>1,204,125</u>	<u>80,437</u>
<u>Bond anticipation notes</u>							
Bond anticipation notes - series 2016	1.50%	5/4/2017	550,000	-	(550,000)	-	-
Bond anticipation notes - series 2017	1.50%	5/5/2018	-	425,000	-	425,000	425,000
Total bond anticipation notes			<u>550,000</u>	<u>425,000</u>	<u>(550,000)</u>	<u>425,000</u>	<u>425,000</u>
Total business-type activities			<u>\$ 8,463,185</u>	<u>\$ 796,538</u>	<u>\$ (1,300,263)</u>	<u>\$ 7,959,460</u>	<u>\$ 1,106,228</u>

Compensated Absences:

Compensated absences will be paid from the water and sewer enterprise funds.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Revenue Bonds:

On December 17, 2013, the City issued \$3,280,000 in sanitary sewer system revenue refunding bonds. This bond issue, along with funds held in the debt service reserve fund account established by trust indenture, was used to refund a portion of the sewer mortgage revenue bonds issued on December 1, 2004. These bonds bear an interest rate of 2.53% and mature on December 1, 2024. Proceeds of \$3,738,454 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the sewer mortgage revenue bonds. As a result, \$3,590,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds have been removed from the City's financial statements.

The reacquisition price exceeded the net carrying amount of the old debt by \$148,454. This amount is presented as a deferred charge on refunding and amortized over the remaining life of the new debt.

The following is a summary of the City's future annual debt service requirements for the revenue refunding bonds:

Year Ended December 31,	Revenue Refunding Bonds Payable		
	Principal	Interest	Total
2018	\$ 290,000	\$ 55,281	\$ 345,281
2019	295,000	47,944	342,944
2020	305,000	40,480	345,480
2021	310,000	32,764	342,764
2022	320,000	24,921	344,921
2023-2024	665,000	25,300	690,300
Total	<u>\$ 2,185,000</u>	<u>\$ 226,690</u>	<u>\$ 2,411,690</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to acquire, construct, and make operating improvements to the sanitary sewer collection and treatment system. The sewer revenue bonds are payable solely from sewer customer net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require approximately 19.39 percent of net revenues. The total principal and interest remaining to be paid on the sewer mortgage revenue bonds is \$2,411,690. Principal and interest paid for the current year and total customer net revenues were \$347,491 and \$1,792,297, respectively.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

OPWC Loans:

OPWC loans have been issued to finance waterline construction and sanitary sewer rehabilitation. Principal and interest payments are due in semi-annual installments.

The following is a summary of the City's future annual debt service principal and interest requirements for the OPWC loans:

Year Ended December 31,	OPWC Loans Payable		
	Principal	Interest	Total
2018	\$ 40,952	\$ 2,429	\$ 43,381
2019	41,311	2,070	43,381
2020	41,680	1,700	43,380
2021	42,062	1,319	43,381
2022	42,454	927	43,381
2023-2027	166,216	628	166,844
2028-2032	145,389	-	145,389
2033-2037	145,389	-	145,389
2038-2042	145,390	-	145,390
2043-2044	43,616	-	43,616
Total	<u>\$ 854,459</u>	<u>\$ 9,073</u>	<u>\$ 863,532</u>

OWDA Loans:

The City has entered into debt financing arrangements through the Ohio Water Department Authority (OWDA) to fund construction projects. The amounts due to the OWDA are payable solely from sewer and water revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2017, the City has outstanding borrowings of \$3,290,876. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

The City has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through 2031. Annual principal and interest payments on the loans are expected to require 14.79 percent of net revenues and 9.33 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$3,794,581. Principal and interest paid for the current year were \$353,674, total net revenues were \$2,391,356 and total operating revenues were \$4,828,801.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

The annual requirements to retire business-type activities debt follows.

Year Ended December 31,	OWDA Loans Payable		
	Principal	Interest	Total
2018	\$ 269,839	\$ 83,835	\$ 353,674
2019	277,003	76,671	353,674
2020	284,359	69,315	353,674
2021	291,912	61,762	353,674
2022	299,667	54,007	353,674
2023-2027	1,622,131	146,238	1,768,369
2028-2032	<u>245,965</u>	<u>11,877</u>	<u>257,842</u>
Total	<u>\$ 3,290,876</u>	<u>\$ 503,705</u>	<u>\$ 3,794,581</u>

**NOTE 15 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees).

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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

Plan Description - City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan.

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

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



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$207,703 for 2017. Of this amount, \$27,773 is reported as due to other governments.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	OPERS
<b>Traditional Plan</b>	
Proportion of the net pension liability prior measurement date	0.01428100%
Proportion of the net pension liability current measurement date	<u>0.01334400%</u>
Change in proportionate share	<u>-0.00093700%</u>
Proportionate share of the net pension liability - Traditional Plan	\$ 3,030,195
Pension expense	\$ 656,285

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

	OPERS
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$4,107
Changes of assumptions	480,626
Net difference between projected and actual earnings on pension plan investments	451,266
Changes in proportion and differences between City contributions and proportionate share of contributions	198
City contributions subsequent to the measurement date	<u>207,703</u>
Total Deferred Outflows of Resources	<u>\$1,143,900</u>
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$18,034
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>80,758</u>
Total Deferred Inflows of Resources	<u>\$98,792</u>

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$207,703 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2018	\$326,851
2019	367,059
2020	156,273
2021	(12,778)
Total	\$837,405

***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.

In 2016, the City's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% to 7.5%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience results, are presented as follows:

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation 3 percent simple through 2018, then 2.15% simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

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

<u>Asset Class</u>	<u>Target Allocation 2016</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, 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 benefit 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 net pension liability calculated using the discount rate of 7.5%, and the expected net pension liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$4,629,300	\$3,030,195	\$1,697,624

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS**

**Ohio Public Employees Retirement System**

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

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

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

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

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 16 - POSTRETIREMENT BENEFIT PLANS – (Continued)**

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

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

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 2.0 percent during calendar year 2016, and was 1.0 percent during calendar year 2017. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$17,201, \$36,939, and \$31,074, respectively; 91.75% has been contributed for 2017 and 100% has been contributed for 2016 and 2015. The remaining 2017 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

**NOTE 17 - RISK MANAGEMENT POOLS**

**A. Central Ohio Health Care Consortium**

On January 1, 1992, the City joined the Central Ohio Health Care Consortium (the “Pool”), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the Pool. The Pool consists of 11 political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. Dental, vision, and life insurance coverage is provided by Delta Dental, Vision Service Plan, and Standard Insurance Company, respectively. The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, and to purchase excess loss insurance for the Pool.



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 17 - RISK MANAGEMENT POOLS – (Continued)**

The Pool also entered into an agreement with an independent plan supervisor to oversee the day to day operations of the Pool, such as administration and approval of submitted claims, the payment of operating expenses incurred by the Pool and the preparation of a monthly activity report which is presented to the Board. The funds held by the Pool are maintained in a bank trust account established for the sole purpose and benefit of the Pool operations. Financial information for the Pool can be obtained from Matthew Peoples, Chair, COHCC, 36 South High Street, Canal Winchester, Ohio 43110. The City's payments to the Pool for insurance coverage were \$505,454 during 2017.

The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, to establish and maintain sufficient claim reserves and to purchase excess loss insurance for the Pool. The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Pool for medical claims paid for an individual in excess of \$200,000 with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims paid in excess of \$13,960,278.28 to a maximum of \$1,000,000 annually. In the event that the losses of the Pool in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. No such loss has occurred in the past four years. In the event that an entity should withdraw from the plan, the withdrawing member is required to either reimburse the Pool for claims paid on its behalf or the member must pay the claims directly.

**B. Central Ohio Risk Management Association**

On October 1, 2014, the City joined the Central Ohio Risk Management Association Inc. (CORMA), a shared risk pool which is administered by nine cities in Central Ohio. Its present members in addition to the City of Canal Winchester are the Cities of Dublin, Grove City, Upper Arlington, Westerville, Groveport, Pickerington, Powell, and Grandview Heights. CORMA was formed as an Ohio non-profit corporation for the purpose of establishing the CORMA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Each member has a representative on the Board of Trustees that approves bylaws, establish policies and contract with service providers for the best savings. Member cities agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORMA. Coverage includes comprehensive general liability, property insurance, crime insurance, employee benefits liability, law enforcement liability, public officials' liability, automotive liability, and healthcare professional liability.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 17 - RISK MANAGEMENT POOLS – (Continued)**

Financial Statements for the pool can be obtained from Angel Mumma, Treasurer, CORMA, 5200 Emerald Parkway, Dublin, Ohio 43017. The City's payments to CORMA for insurance coverage were \$62,026 during 2017.

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) 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 or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

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 the general fund:

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

**Net Change in Fund Balance**

	<u>General fund</u>	<u>Gender road tif fund</u>
Budget basis	\$ 853,012	\$ (379)
Net adjustment for revenue accruals	723,600	-
Net adjustment for expenditure accruals	(980,973)	-
Net adjustment for other sources/uses	163,104	-
Adjustment for encumbrances	704,608	-
GAAP basis	<u>\$ 1,463,351</u>	<u>\$ (379)</u>

**NOTE 19 – TAX ABATEMENTS**

The City of Canal Winchester provides tax abatements under the following programs which meet the criteria set forth under the requirements of GASB Statement No. 77: the Industrial/Commercial Community Reinvestment Area Program and Income Tax Abatement Program.

***Real Estate Tax Abatements***

Pursuant to Ohio Revised Code Section 5709, the City has established Community Reinvestment Areas (CRA) for any industrial or commercial property project improvements made to parcel(s) following specific return-on-investment formulas and guidelines approved by City Council.

***City Council's Incentive Criteria for Decision Making***

The City of Canal Winchester has offered tax incentives and CRA abatements to various businesses based upon substantial project investment into the City. The City has created a return on investment formula it considers before entering into any such agreements. This return on investment formula considers the financial impact not only to the City but also other local governments in Franklin and Fairfield County that may be impacted. Below is the information relevant to the disclosure of these programs for the year ended December 31, 2017:

Tax Abatement Program	Total Amount of Taxes Abated (Incentives Abated) for 2017 (In Actual Dollars)
<i>Community Reinvestment Area (CRA)</i>	
- Manufacturing	\$321,130
- Retail	37,365
- Construction	26,405
- Professional Services	65,983

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 19 – TAX ABATEMENTS – (Continued)**

Tax Abatement Program	Total Amount of Taxes Abated (Incentives Abated) for 2017 (In Actual Dollars)
- Telecommunications	\$24,488
- Medical Services	187
- Restaurants	156
- Residential	17
Total Community Reinvestment Area	\$475,731

**Cooperative Economic Development Agreement (CEDA)**

On September 15, 2001 the City of Canal Winchester (then Village) entered into a CEDA with Violet Township, a contiguous and overlapping subdivision in Fairfield County, to cooperate in creating and preserving jobs and employment opportunities and to cooperate in inducing and fostering economic development with uniform planning standards in accordance with Ohio Revised Code Section 701.07.

The Agreement allows for development of a designated area with the sharing of services and an annual service fee between the parties. This agreement has been in part responsible for the development of industrial/commercial development known as Canal Pointe which currently includes 61 businesses with over 1,038 employees. The amount distributed under this agreement was \$366,167 for 2017.

**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 are 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, 2017.

**B. Litigation**

The City is involved in no material litigation as either plaintiff or defendant.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 21 - 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 below:

Fund balance	General Fund	Debt Service Fund	Gender Road TIF Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Prepays	\$ 49,169	\$ -	\$ -	\$ 260	\$ 49,429
Long-term loans	405,000	-	-	-	405,000
Materials & supplies inventory	22,950	-	-	16,191	39,141
<b>Total nonspendable</b>	<b>477,119</b>	<b>-</b>	<b>-</b>	<b>16,451</b>	<b>493,570</b>
<b>Restricted:</b>					
General government	-	-	-	31,972	31,972
Capital projects	-	-	-	249,417	249,417
Transportation	-	-	-	1,853,116	1,853,116
Community environment	-	-	-	7,262	7,262
Leisure time activity	-	-	-	181,300	181,300
<b>Total restricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,323,067</b>	<b>2,323,067</b>
<b>Assigned:</b>					
Debt service	-	64,310	-	-	64,310
Public health and welfare	744	-	-	-	744
Community environment	13,231	-	-	-	13,231
Security persons & property	2,164	-	-	-	2,164
Transportation	140,213	-	-	-	140,213
Leisure time activity	6,028	-	-	-	6,028
Subsequent year appropriations	335,593	-	-	-	335,593
General government	6,787	-	-	-	6,787
<b>Total assigned</b>	<b>504,760</b>	<b>64,310</b>	<b>-</b>	<b>-</b>	<b>569,070</b>
Unassigned	6,040,669	-	(315,605)	-	5,725,064
<b>Total fund balances</b>	<b>\$ 7,022,548</b>	<b>\$ 64,310</b>	<b>\$ (315,605)</b>	<b>\$ 2,339,518</b>	<b>\$ 9,110,771</b>

**NOTE 22 - 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 cash basis encumbrances in the governmental and proprietary funds were as follows:

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 22 - OTHER COMMITMENTS – (Continued)**

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 704,608
Capital Improvement	1,831
Other governmental	<u>21,312</u>
Total governmental funds	<u>727,751</u>
Water	120,687
Sewer	144,317
Storm Water	<u>468</u>
Total proprietary funds	<u>265,472</u>
Total	<u><u>\$ 993,223</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FOUR YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.013344%	0.014281%	0.012385%	0.012385%
City's proportionate share of the net pension liability	\$ 3,030,195	\$ 2,473,649	\$ 1,493,770	\$ 1,460,030
City's covered-employee payroll	\$ 2,153,825	\$ 1,585,225	\$ 1,702,142	\$ 1,688,962
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.69%	156.04%	87.76%	86.45%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

SCHEDULES OF SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>					
Contractually required contribution	\$ 207,703	\$ 258,495	\$ 190,227	\$ 204,257	\$ 219,565
Contributions in relation to the contractually required contribution	<u>(207,703)</u>	<u>(258,495)</u>	<u>(190,227)</u>	<u>(204,257)</u>	<u>(219,565)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,597,715	\$ 2,153,825	\$ 1,585,225	\$ 1,702,142	\$ 1,688,962
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2017

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
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***Changes in benefit terms*** : There were no changes in benefit terms from the amounts reported for 2014-2017.

***Changes in assumptions*** : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.



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CentralRegion@ohioauditor.gov

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

City of Canal Winchester  
Franklin County  
36 S High Street  
Canal Winchester, Ohio 43110

To the City 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 Canal Winchester, Franklin County, (the City) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 19, 2019, wherein we noted during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

***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 opinions 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

November 19, 2019

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF CANAL WINCHESTER**

**FRANKLIN 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  
DECEMBER 24, 2019**