



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF CANFIELD
MAHONING COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2018, 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 Canfield, Mahoning County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, the Street Construction, Maintenance and Repair and the Police Department Operating Levy funds thereof for the year 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 August 6, 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

August 6, 2019

CITY OF CANFIELD, OHIO

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

The management's discussion and analysis of the City of Canfield's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 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 decreased \$537,725. Net position of governmental activities decreased \$155,377 or 1.17% from 2017's restated net position. Net position of business-type activities decreased \$382,348 or 2.31% from 2017's restated net position.
- General revenues accounted for \$4,693,410 of total governmental activities revenue. Program specific revenues accounted for \$1,575,865 or 25.14% of total governmental activities revenue.
- The City had \$6,424,652 in expenses related to governmental activities; \$1,575,865 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$4,848,787 were offset by general revenues (primarily taxes and unrestricted grants and entitlements) of \$4,693,410.
- The general fund had revenues of \$3,968,530 in 2018. This represents a decrease of \$33,938 from 2017. The expenditures and other financing uses of the general fund, which totaled \$3,998,410 in 2018, decreased \$96,740 from 2017. The net decrease in fund balance for the general fund was \$29,880 or 2.47%.
- The street construction maintenance and repair fund had revenues of \$1,133,174 in 2018. The expenditures of the street construction maintenance and repair fund totaled \$1,305,598 in 2018. The net decrease in fund balance for the street construction maintenance and repair fund was \$172,424 or 15.91%.
- The police department operating levy fund had revenues and other financing sources of \$707,760 in 2018. The expenditures of the police department operating levy fund totaled \$684,925 in 2018. The net increase in fund balance was \$22,835 or 17.84%.
- Net position for the business-type activities, which are made up of the Sewer, Water and Storm enterprise funds decreased in 2018 by \$382,348 from the prior year.

Using this Annual Financial Report

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

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

CITY OF CANFIELD, OHIO

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

CITY OF CANFIELD, OHIO

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

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, the street construction maintenance and repair fund, and the police department operating levy 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 fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and storm water management functions. All of the City's enterprise funds are considered major funds.

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension/OPEB liabilities.

CITY OF CANFIELD, OHIO

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

Government-Wide Financial Analysis

The table below provides a summary of the City's net position for 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

	Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>Restated 2017</u>	<u>2018</u>	<u>Restated 2017</u>	<u>2018</u>	<u>Restated 2017</u>
<u>Assets:</u>						
Current and Other Assets	\$ 5,674,382	\$ 5,645,114	\$ 3,539,997	\$ 3,542,112	\$ 9,214,379	\$ 9,187,226
Capital Assets	<u>17,312,260</u>	<u>17,091,018</u>	<u>14,353,967</u>	<u>14,599,127</u>	<u>31,666,227</u>	<u>31,690,145</u>
Total Assets	<u>22,986,642</u>	<u>22,736,132</u>	<u>17,893,964</u>	<u>18,141,239</u>	<u>40,880,606</u>	<u>40,877,371</u>
<u>Deferred Outflows:</u>						
Pension	882,687	1,233,478	99,681	242,334	982,368	1,475,812
OPEB	<u>451,324</u>	<u>18,537</u>	<u>19,399</u>	<u>4,122</u>	<u>470,723</u>	<u>22,659</u>
Total Deferred Outflows	<u>1,334,011</u>	<u>1,252,015</u>	<u>119,080</u>	<u>246,456</u>	<u>1,453,091</u>	<u>1,498,471</u>
<u>Liabilities:</u>						
Long-term Liabilities Outstanding	1,042,842	1,227,101	816,645	850,679	1,859,487	2,077,780
Net Pension Liability	4,246,665	4,796,288	354,565	602,738	4,601,230	5,399,026
Net OPEB Liability	3,676,547	3,078,994	256,284	282,465	3,932,831	3,361,459
Other Liabilities	<u>174,306</u>	<u>150,509</u>	<u>201,787</u>	<u>53,120</u>	<u>376,093</u>	<u>203,629</u>
Total Liabilities	<u>9,140,360</u>	<u>9,252,892</u>	<u>1,629,281</u>	<u>1,789,002</u>	<u>10,769,641</u>	<u>11,041,894</u>
<u>Deferred Inflows:</u>						
Property taxes	1,257,248	1,131,248	-	-	1,257,248	1,131,248
Pension	681,431	333,102	132,138	13,611	813,569	346,713
OPEB	<u>126,086</u>	<u>-</u>	<u>48,891</u>	<u>-</u>	<u>174,977</u>	<u>-</u>
Total Deferred Inflows	<u>2,064,765</u>	<u>1,464,350</u>	<u>181,029</u>	<u>13,611</u>	<u>2,245,794</u>	<u>1,477,961</u>
<u>Net Position:</u>						
Net investment in capital assets	16,555,217	16,176,918	13,561,987	13,768,758	30,117,204	29,945,676
Restricted	1,380,193	1,925,240	-	-	1,380,193	1,925,240
Unrestricted	<u>(4,819,882)</u>	<u>(4,831,253)</u>	<u>2,640,747</u>	<u>2,816,324</u>	<u>(2,179,135)</u>	<u>(2,014,929)</u>
Total Net Position	<u>\$ 13,115,528</u>	<u>\$ 13,270,905</u>	<u>\$ 16,202,734</u>	<u>\$ 16,585,082</u>	<u>\$ 29,318,262</u>	<u>\$ 29,855,987</u>

The net pension liability (NPL) is the largest single liability 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). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District'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 deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government 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 take 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.

CITY OF CANFIELD, OHIO

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

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 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 retirement 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.

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 \$16,331,362 to \$13,270,905 for governmental activities and \$16,863,425 to \$16,585,082 for business-type activities.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2018, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$29,318,262. At year-end, net position was \$13,115,528 and \$16,202,734 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 77.46% of total assets. Capital assets include land, buildings, land improvements, equipment, infrastructure and construction in progress. Net investment in capital assets at December 31, 2018, was \$16,555,217 and \$13,561,987 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

CITY OF CANFIELD, OHIO

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

A portion of the City's net position, \$1,380,193, 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 is a deficit of \$4,819,882.

The table below shows the changes in net position for fiscal year 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

	Change in Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>Restated 2017</u>	<u>2018</u>	<u>Restated 2017</u>	<u>2018</u>	<u>Restated 2017</u>
Revenues						
Program revenues:						
Charges for services	\$ 636,706	\$ 734,880	\$ 3,370,449	\$ 3,096,347	\$ 4,007,155	\$ 3,831,227
Operating grants and contributions	747,332	795,693	29,926	-	777,258	795,693
Capital grants and contributions	191,827	1,059,209	-	-	191,827	1,059,209
Total program revenues	<u>1,575,865</u>	<u>2,589,782</u>	<u>3,400,375</u>	<u>3,096,347</u>	<u>4,976,240</u>	<u>5,686,129</u>
General revenues:						
Property taxes	1,232,061	685,161	-	-	1,232,061	685,161
Income taxes	3,332,066	3,156,754	-	-	3,332,066	3,156,754
Unrestricted grants and entitlements	62,367	99,206	-	-	62,367	99,206
Investment earnings	35,674	7,848	-	-	35,674	7,848
Miscellaneous	31,242	34,006	1,095	3,442	32,337	37,448
Total general revenues	<u>4,693,410</u>	<u>3,982,975</u>	<u>1,095</u>	<u>3,442</u>	<u>4,694,505</u>	<u>3,986,417</u>
Total revenues	<u>6,269,275</u>	<u>6,572,757</u>	<u>3,401,470</u>	<u>3,099,789</u>	<u>9,670,745</u>	<u>9,672,546</u>
Expenses:						
General government	1,403,779	1,306,611	-	-	1,403,779	1,306,611
Security of persons and property	3,525,126	3,200,007	-	-	3,525,126	3,200,007
Public health and welfare	100,826	77,548	-	-	100,826	77,548
Transportation	1,147,184	938,462	-	-	1,147,184	938,462
Community environment	99,941	96,351	-	-	99,941	96,351
Leisure time activity	117,262	84,282	-	-	117,262	84,282
Interest and fiscal charges	30,534	30,336	-	-	30,534	30,336
Water	-	-	1,844,090	1,758,227	1,844,090	1,758,227
Sewer	-	-	1,643,389	1,572,372	1,643,389	1,572,372
Storm	-	-	296,339	259,024	296,339	259,024
Total expenses	<u>6,424,652</u>	<u>5,733,597</u>	<u>3,783,818</u>	<u>3,589,623</u>	<u>10,208,470</u>	<u>9,323,220</u>
Change in net position	(155,377)	839,160	(382,348)	(489,834)	(537,725)	349,326
Net position at beginning of year (restated)	<u>13,270,905</u>	<u>N/A</u>	<u>16,585,082</u>	<u>N/A</u>	<u>29,855,987</u>	<u>N/A</u>
Net position at end of year	<u>\$ 13,115,528</u>	<u>\$ 13,270,905</u>	<u>\$ 16,202,734</u>	<u>\$ 16,585,082</u>	<u>\$ 29,318,262</u>	<u>\$ 29,855,987</u>

CITY OF CANFIELD, OHIO

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

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$22,659 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$307,237.

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2018 program expenses under GASB 75	\$ 6,424,652	\$ 3,783,818
OPEB expense under GASB 75	(299,265)	(7,972)
2018 contractually required contributions	8,413	539
Adjusted 2018 program expenses	6,133,800	3,776,385
Total 2017 program expenses under GASB 45	5,733,597	3,589,623
Increase in program expenses not related to OPEB	\$ 400,203	\$ 186,762

Governmental Activities

Governmental activities net position decreased \$155,377 in 2018. The majority of this decrease is the result of a decrease in capital grants and contributions, due to a large donation from the Ohio Department of Transportation that occurred in fiscal year 2017, as well as decreased charges for services and operating grants and contributions.

Security of persons and property which primarily supports the operations of the police department and street lights accounted for \$3,525,126 or 54.87% of the total expenses of the City. Security of persons and property expenses were partially funded by \$245,694 in direct charges to users of the services and \$168,673 in operating grants and contributions. General government expenses totaled \$1,403,779 or 21.85% of the total expenses of the City. General government expenses were partially funded by \$337,143 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$747,332 in operating grants and contributions and \$191,827 in capital grants and contributions. These revenues are restricted to a particular program or purpose. The City received \$747,892 in operating and capital grants and contributions that were used to subsidize transportation programs

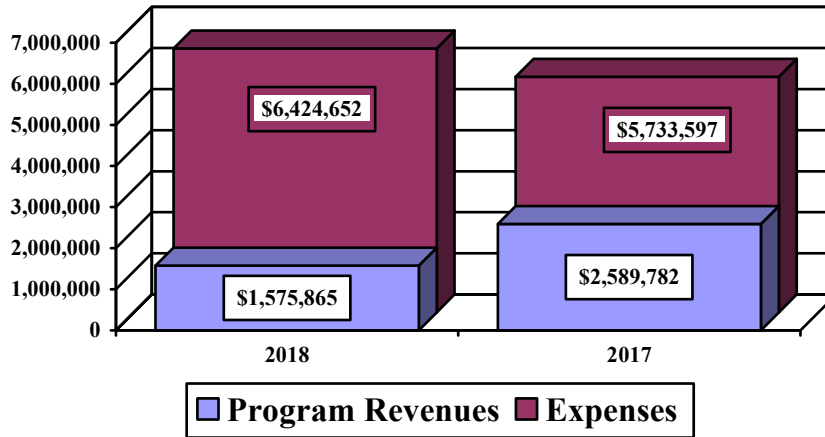
General revenues totaled \$4,693,410 and amounted to 74.86% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$4,564,127. The other primary source of general revenues is grants and entitlements not restricted to specific programs, making up \$62,367. Unrestricted grants and entitlements increased during 2018 as a result of greater collections of estate tax revenue and local government revenue.

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

CITY OF CANFIELD, OHIO

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

Governmental Activities - Program Revenues vs. Total Expenses



Governmental Activities

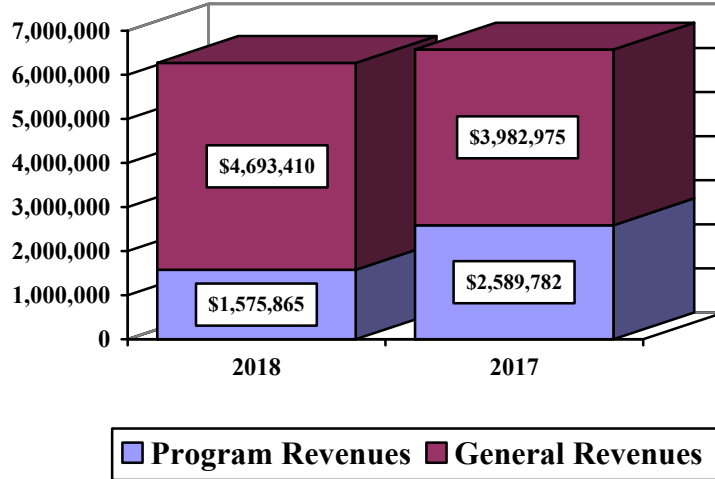
	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program Expenses:				
General government	\$ 1,403,779	\$ 1,060,016	\$ 1,306,611	\$ 841,860
Security of persons and property	3,525,126	3,110,759	3,200,007	2,806,345
Public health and welfare	100,826	67,323	77,548	61,458
Transportation	1,147,184	399,292	938,462	(732,515)
Community environment	99,941	99,341	96,351	95,451
Leisure time activity	117,262	88,139	84,282	59,201
Interest and fiscal charges	30,534	23,917	30,336	12,015
Total	\$ 6,424,652	\$ 4,848,787	\$ 5,733,597	\$ 3,143,815

The dependence upon general revenues for governmental activities is apparent, with 75.47% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2018 and 2017.

CITY OF CANFIELD, OHIO

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

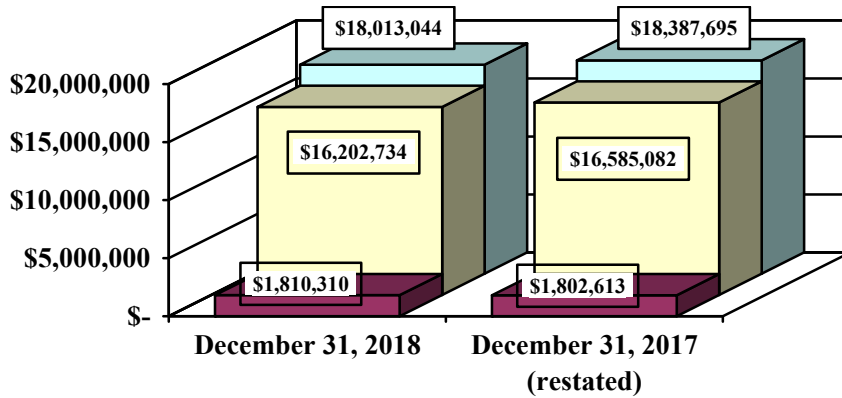
Governmental Activities – General and Program Revenues



Business-type Activities

Business-type activities include the sewer, water and storm water enterprise funds. These funds had program revenues of \$3,400,375, general revenues of \$1,095 and expenses of \$3,783,818 for 2018. The graph below shows the business-type activities assets, liabilities and net position at year-end. The net position at December 31, 2017 has been restated as described in Note 3.

Net Position in Business – Type Activities



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.

CITY OF CANFIELD, OHIO

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

The City's governmental funds reported a combined fund balance of \$3,266,250 which is a decrease of \$168,054 from last year's total of \$3,434,304.

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.

	<u>Fund Balances</u> <u>12/31/18</u>	<u>Fund Balances</u> <u>12/31/17</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
Major Funds:				
General	\$ 1,177,448	\$ 1,207,328	\$ (29,880)	(2.47%)
Street Construction, Maintenance and Repair	911,497	1,083,921	(172,424)	(15.91%)
Police Department Operating Levy Fund	150,864	128,029	22,835	17.84%
Other Nonmajor Governmental Funds	<u>1,026,441</u>	<u>1,015,026</u>	<u>11,415</u>	1.12%
Total	<u>\$ 3,266,250</u>	<u>\$ 3,434,304</u>	<u>\$ (168,054)</u>	(4.89%)

The decrease in fund balance of the street construction, maintenance and repair fund is primarily due to increased expenditures on the City's street resurfacing projects. The increase in fund balance of the police department operating levy is primarily due to the increase in property tax revenue received in fiscal year 2018.

General Fund

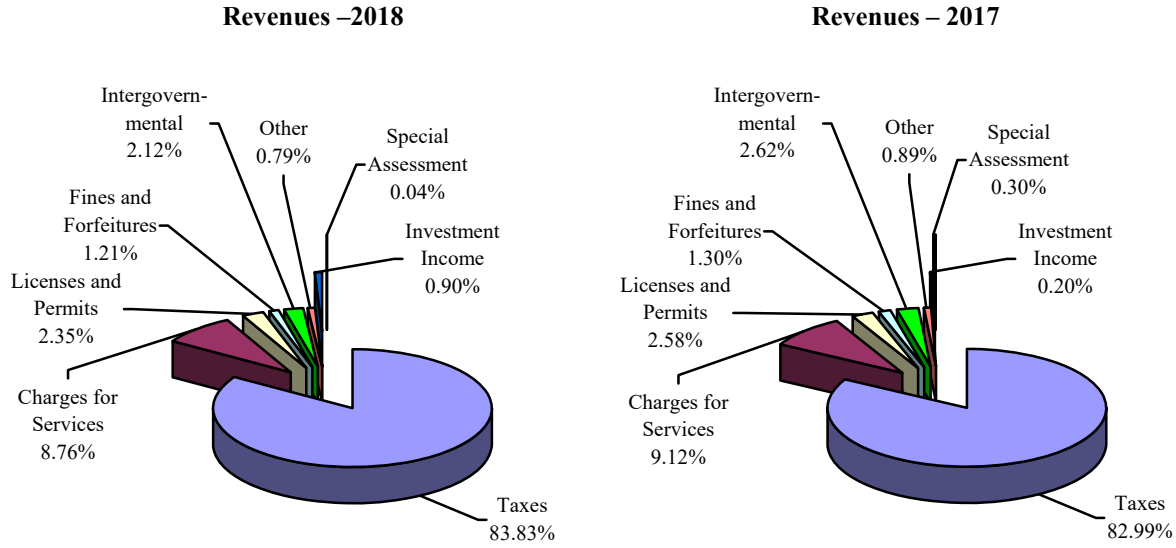
The City's general fund balance decreased \$29,880. The table that follows assists in illustrating the revenues of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
Revenues				
Income Taxes	\$ 3,327,166	\$ 3,182,254	\$ 144,912	4.55%
Real and Other Taxes	-	167,830	(167,830)	(100.00%)
Special Assessments	1,714	11,554	(9,840)	(85.17%)
Charges for Services	347,501	349,806	(2,305)	(0.66%)
Licenses and Permits	93,280	98,919	(5,639)	(5.70%)
Fines and Forfeitures	47,954	49,951	(1,997)	(4.00%)
Intergovernmental	83,999	100,300	(16,301)	(16.25%)
Investment income	35,674	7,848	27,826	354.56%
Other	<u>31,242</u>	<u>34,006</u>	<u>(2,764)</u>	(8.13%)
Total	<u>\$ 3,968,530</u>	<u>\$ 4,002,468</u>	<u>\$ (33,938)</u>	(0.85%)

Revenues in the general fund decreased \$33,938 or 0.85% in 2018. Income tax revenue represents 83.83% of all 2018 general fund revenue. Income tax revenue increased 4.55% over the prior year. Intergovernmental revenue decreased \$16,301 or 16.25% due to a decrease in homestead tax and local government revenue. Revenues from special assessments decreased \$9,840 or 85.17% compared to 2017. Investment income increased by \$27,826 or 354.56% due to an increase in investments in repurchase agreements earning interest. Real and other taxes revenue decreased by \$167,830 due to the City shifting the collection of that property tax revenue to the street construction, maintenance, and repair fund.

CITY OF CANFIELD, OHIO

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



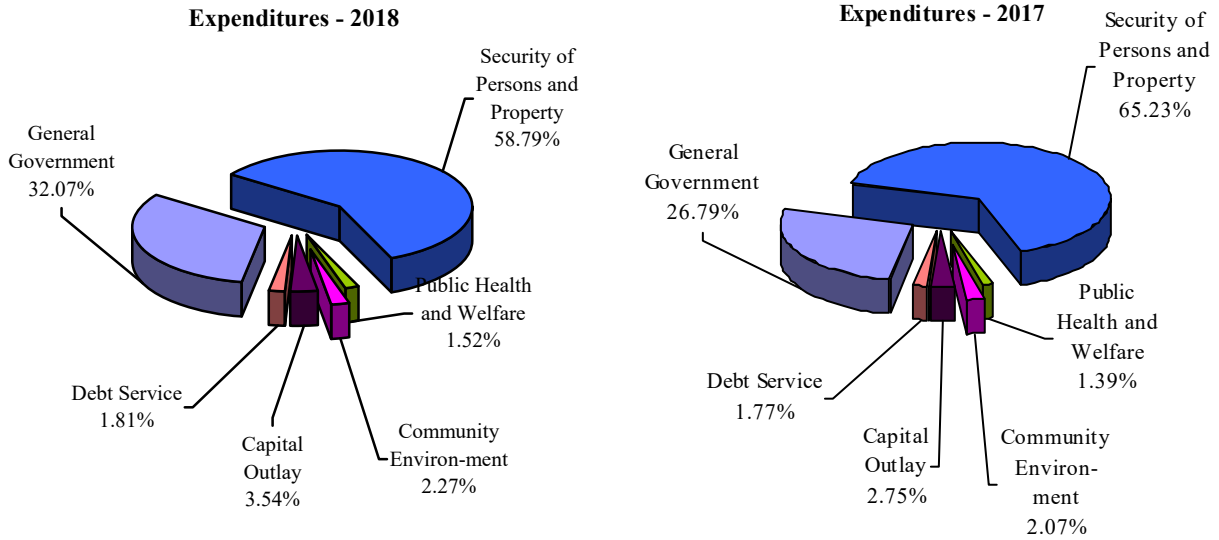
The table that follows assists in illustrating the expenditures of the general fund.

	2018 <u>Amount</u>	2017 <u>Amount</u>	Increase (Decrease)	Percentage <u>Change</u>
<u>Expenditures</u>				
General Government	\$ 1,256,439	\$ 1,075,623	\$ 180,816	16.81%
Security of Persons and Property	2,304,163	2,619,247	(315,084)	(12.03%)
Public Health and Welfare	59,367	55,712	3,655	6.56%
Community Environment	88,937	83,119	5,818	7.00%
Capital Outlay	138,609	110,554	28,055	25.38%
Debt service	<u>70,895</u>	<u>70,895</u>	-	0.00%
Total	<u><u>\$ 3,918,410</u></u>	<u><u>\$ 4,015,150</u></u>	<u><u>\$ (96,740)</u></u>	(2.41%)

The City's total general fund expenditures decreased \$96,740 or 2.41% in 2018. The greatest increases were in capital outlay and general government. Capital outlay is a category that can fluctuate significantly depending on what is being replaced or purchased, and general government primarily increased due to greater spending on personal services during fiscal year 2018. Security of persons and property was the only expenditure function to decrease in fiscal year 2018. This was caused by shifting more police expenditures to the police department operating levy fund.

CITY OF CANFIELD, OHIO

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



Budgeting Highlights

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

Budgetary information is presented for the general fund, the street construction maintenance and repair fund, and the police department operating levy fund. In the general fund, the actual revenues and other financing sources came in \$158,076 greater than they were in the final budget and actual expenditures and other financing uses were \$246,932 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$115,910 from the original to the final budget. Budgeted revenues did not change from the original to the final budget.

Street Construction Maintenance and Repair Fund

The street construction maintenance and repair fund had revenues of \$1,133,174 in 2018. The expenditures of the street construction, maintenance and repair fund, totaled \$1,305,598 and fund balance decreased \$172,424 or 15.91% during 2018. The increase in intergovernmental revenue and capital outlay expenditures was a result of grants that were received in 2018 for the resurfacing project and other road improvement projects within the City.

Police Department Operating Levy Fund

The police department operating levy fund had revenues of \$707,760 in 2018. The expenditures totaled \$684,925, the increase in fund balance and fund balance at years end were \$22,835 and \$150,864, respectively. There was a large increase in real and other taxes revenue and security of persons and property expenditures primarily due to a new tax levy that went into effect in fiscal year 2018.

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. All of the City's enterprise funds are considered major funds. The Water fund had operating revenues of \$1,896,739 and operating expenses of \$1,839,200 for 2018. The Water fund net position increased \$67,612 in 2018. The Sewer fund had operating revenues of \$1,308,648 and operating expenses of \$1,629,066 for 2018. The Sewer fund net position decreased \$319,778 in 2018. The Storm fund had operating revenues of \$166,157 and operating expenses of \$294,236 in 2018. The Storm fund net position decreased \$130,182 in 2018.

CITY OF CANFIELD, OHIO

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

Capital Assets and Debt Administration

Capital Assets

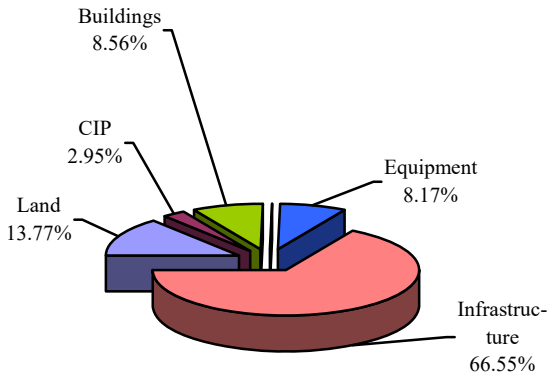
At the end of fiscal 2018, the City had \$31,666,227 (net of accumulated depreciation) invested in land, buildings, land improvements, equipment, infrastructure, and construction in progress (CIP). Of this total, \$17,312,260 was reported in governmental activities and \$14,353,967 was reported in business-type activities. The following table shows fiscal 2018 balances compared to 2017. See Note 9 to the basic financial statements for details on the City's capital assets.

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

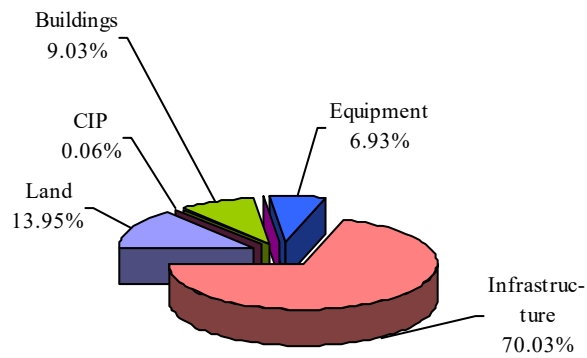
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,383,608	\$ 2,383,608	\$ 21,297	\$ 21,297	\$ 2,404,905	\$ 2,404,905
Construction in progress	511,569	9,499	144,772	16,805	656,341	26,304
Buildings	1,482,249	1,543,627	995,118	1,031,938	2,477,367	2,575,565
Equipment	1,415,095	1,184,815	125,306	82,134	1,540,401	1,266,949
Infrastructure	11,519,739	11,969,469	13,067,474	13,446,953	24,587,213	25,416,422
Totals	\$ 17,312,260	\$ 17,091,018	\$ 14,353,967	\$ 14,599,127	\$ 31,666,227	\$ 31,690,145

The graphs on the following page show the breakdown of governmental capital assets by category for 2018 and 2017.

Capital Assets - Governmental Activities 2018



Capital Assets - Governmental Activities 2017



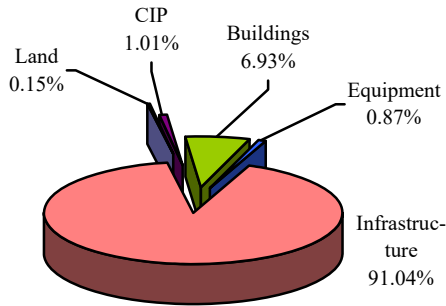
The City's infrastructure is the largest governmental activities capital asset category, which includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 66.55% of the City's total governmental capital assets at December 31, 2018.

CITY OF CANFIELD, OHIO

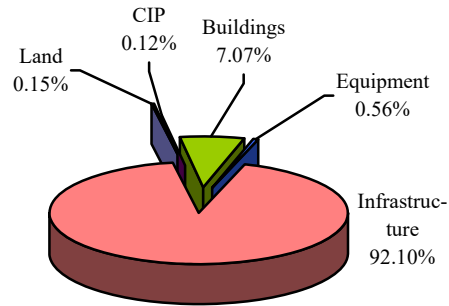
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

The following graphs show the breakdown of business-type capital assets by category for 2018 and 2017.

Capital Assets - Business-Type Activities 2018



Capital Assets - Business-Type Activities 2017



The City's largest business-type capital asset category is infrastructure, which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 91.04% of the City's total business-type capital assets at December 31, 2018.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2018 and 2017:

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
General obligation notes	\$ 757,043	\$ 914,100
Special assessment notes	<u>101,884</u>	<u>134,244</u>
Total long-term obligations	<u>\$ 858,927</u>	<u>\$ 1,048,344</u>
	Business-type Activities	
	<u>2018</u>	<u>2017</u>
OPWC loans	\$ 791,980	\$ 830,369
Total long-term obligations	<u>\$ 791,980</u>	<u>\$ 830,369</u>

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

CITY OF CANFIELD, OHIO

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

Economic Conditions and Outlook

The City of Canfield is an attractive community with a population of 7,284 as of the 2017 census. The City continues to strive to provide the services that its citizens desire while maintaining costs.

Eight (8) streets within the City of Canfield were resurfaced during 2018. Two of the streets used the addition of ACE Fiber to the asphalt mix to enhance the life of the streets. In 2018, the City of Canfield also completed a roadway assessment that will guide the City in determining our annual resurfacing program.

A new water main was installed on North Hillside Drive from Callahan Drive to East Main Street, which included the installation of new fire hydrants as well as valve repairs. Two major storm water projects were accomplished this year to address perpetual flooding along the south side of Findlay Avenue and a cross connection running between Callahan Drive and Neff Drive.

Another JEDD, Millennial Moments, with Canfield Township was negotiated during 2018 and finalized in early 2019 along with the annexation of Red Gate Farm. This marks the second JEDD agreement between both entities and the only JEDD agreements in Mahoning County.

City staff has actively been developing various tools to assist the City in attracting new business and residential development in the City. In 2019, the City expects to finalize the creation of a Community Reinvestment Area (CRA) Program, as well as a Community Improvement Corporation (CIC), both of which will be utilized to increase economic development in the City of Canfield.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Christine Stack-Clayton, Finance Director, 104 Lisbon Street, Canfield, Ohio 44406.

BASIC
FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,650,719	\$ 2,650,785	\$ 5,301,504
Receivables:			
Income taxes.	959,143	-	959,143
Real and other taxes	1,415,983	-	1,415,983
Accounts.	148,844	854,933	1,003,777
Special assessments	54,487	-	54,487
Due from other governments.	308,807	81	308,888
Prepayments	111,144	26,840	137,984
Net pension asset.	25,255	7,358	32,613
Capital assets:			
Land and construction in progress.	2,895,177	166,069	3,061,246
Depreciable capital assets, net.	14,417,083	14,187,898	28,604,981
Total capital assets, net.	<u>17,312,260</u>	<u>14,353,967</u>	<u>31,666,227</u>
Total assets	<u>22,986,642</u>	<u>17,893,964</u>	<u>40,880,606</u>
Deferred outflows of resources:			
Pension	882,687	99,681	982,368
OPEB	451,324	19,399	470,723
Total deferred outflows of resources	<u>1,334,011</u>	<u>119,080</u>	<u>1,453,091</u>
Liabilities:			
Accounts payable.	13,156	10,074	23,230
Accrued wages payable.	108,357	17,822	126,179
Due to other governments	50,825	173,891	224,716
Accrued interest payable	1,968	-	1,968
Long-term liabilities:			
Due within one year	380,570	139,831	520,401
Due in more than one year:			
Net pension liability.	4,246,665	354,565	4,601,230
Net OPEB liability.	3,676,547	256,284	3,932,831
Other amounts due in more than one year.	662,272	676,814	1,339,086
Total liabilities	<u>9,140,360</u>	<u>1,629,281</u>	<u>10,769,641</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year . . .	1,257,248	-	1,257,248
Pension	681,431	132,138	813,569
OPEB	126,086	48,891	174,977
Total deferred inflows of resources	<u>2,064,765</u>	<u>181,029</u>	<u>2,245,794</u>
Net position:			
Net investment in capital assets	16,555,217	13,561,987	30,117,204
Restricted for:			
Debt service	140,224	-	140,224
Capital projects	4,828	-	4,828
Transportation projects	876,522	-	876,522
Security of persons and property.	186,504	-	186,504
Permanent fund - expendable	99,715	-	99,715
Permanent fund - nonexpendable	72,400	-	72,400
Unrestricted (deficit)	<u>(4,819,882)</u>	<u>2,640,747</u>	<u>(2,179,135)</u>
Total net position.	<u>\$ 13,115,528</u>	<u>\$ 16,202,734</u>	<u>\$ 29,318,262</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,403,779	\$ 337,143	\$ 6,620	\$ -
Security of persons and property . . .	3,525,126	245,694	168,673	-
Public health and welfare	100,826	30,295	3,208	-
Transportation.	1,147,184	-	556,065	191,827
Community environment	99,941	600	-	-
Leisure time activity.	117,262	22,974	6,149	-
Interest and fiscal charges.	30,534	-	6,617	-
Total governmental activities	<u>6,424,652</u>	<u>636,706</u>	<u>747,332</u>	<u>191,827</u>
Business-type activities:				
Water	1,844,090	1,895,644	14,963	-
Sewer	1,643,389	1,308,648	14,963	-
Storm	296,339	166,157	-	-
Total business-type activities	<u>3,783,818</u>	<u>3,370,449</u>	<u>29,926</u>	<u>-</u>
Total primary government	<u>\$ 10,208,470</u>	<u>\$ 4,007,155</u>	<u>\$ 777,258</u>	<u>\$ 191,827</u>

General revenues:

Property taxes levied for:
Street construction, maintenance and repair . .
Police department operating levy
Debt retirement.
Income taxes levied for:
General purposes.
Grants and entitlements not restricted
to specific programs
Investment earnings
Miscellaneous
Total general revenues
Change in net position
Net position at beginning of year (restated) . .
Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,060,016)	\$ -	\$ (1,060,016)
(3,110,759)	-	(3,110,759)
(67,323)	-	(67,323)
(399,292)	-	(399,292)
(99,341)	-	(99,341)
(88,139)	-	(88,139)
(23,917)	-	(23,917)
<u>(4,848,787)</u>	<u>-</u>	<u>(4,848,787)</u>
-	66,517	66,517
-	(319,778)	(319,778)
-	(130,182)	(130,182)
<u>-</u>	<u>(383,443)</u>	<u>(383,443)</u>
<u>(4,848,787)</u>	<u>(383,443)</u>	<u>(5,232,230)</u>
429,713	-	429,713
729,203	-	729,203
73,145	-	73,145
3,332,066	-	3,332,066
62,367	-	62,367
35,674	-	35,674
31,242	1,095	32,337
<u>4,693,410</u>	<u>1,095</u>	<u>4,694,505</u>
(155,377)	(382,348)	(537,725)
<u>13,270,905</u>	<u>16,585,082</u>	<u>29,855,987</u>
<u>\$ 13,115,528</u>	<u>\$ 16,202,734</u>	<u>\$ 29,318,262</u>

CITY OF CANFIELD, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Street Construction Maintenance and Repair	Police Department Operating Levy	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents . . .	\$ 704,849	\$ 822,442	\$ 104,016	\$ 1,019,412	\$ 2,650,719
Receivables:					
Income taxes	959,143	-	-	-	959,143
Real and other taxes	-	501,565	825,874	88,544	1,415,983
Accounts	145,084	-	-	3,760	148,844
Special assessments	21,864	-	-	32,623	54,487
Due from other funds	30,487	-	-	-	30,487
Due from other governments	34,318	211,775	-	62,714	308,807
Prepayments	82,567	21,643	4,467	2,467	111,144
Total assets	<u>\$ 1,978,312</u>	<u>\$ 1,557,425</u>	<u>\$ 934,357</u>	<u>\$ 1,209,520</u>	<u>\$ 5,679,614</u>
Liabilities:					
Accounts payable	\$ 12,045	\$ 983	\$ -	\$ 128	\$ 13,156
Accrued wages payable	84,526	8,982	13,167	1,682	108,357
Due to other funds	-	-	-	30,487	30,487
Due to other governments	30,364	4,274	4,452	11,735	50,825
Total liabilities	<u>126,935</u>	<u>14,239</u>	<u>17,619</u>	<u>44,032</u>	<u>202,825</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year . . .	-	453,672	720,484	83,092	1,257,248
Delinquent property tax revenue not available . .	-	30,893	45,390	5,452	81,735
Special assessments revenue not available . . .	21,864	-	-	32,623	54,487
Miscellaneous revenue not available	76,758	-	-	2,666	79,424
Income tax revenue not available	553,700	-	-	-	553,700
Other nonexchange transactions	21,607	147,124	-	15,214	183,945
Total deferred inflows of resources	<u>673,929</u>	<u>631,689</u>	<u>765,874</u>	<u>139,047</u>	<u>2,210,539</u>
Fund balances:					
Nonspendable	85,785	21,643	4,467	74,867	186,762
Restricted	-	889,854	146,397	542,999	1,579,250
Committed	15,870	-	-	451,306	467,176
Assigned	343,245	-	-	-	343,245
Unassigned (deficit)	732,548	-	-	(42,731)	689,817
Total fund balances	<u>1,177,448</u>	<u>911,497</u>	<u>150,864</u>	<u>1,026,441</u>	<u>3,266,250</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,978,312</u>	<u>\$ 1,557,425</u>	<u>\$ 934,357</u>	<u>\$ 1,209,520</u>	<u>\$ 5,679,614</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

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

Total governmental fund balances		\$	3,266,250
<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.			17,312,260
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	553,700	
Real and other taxes receivable		81,735	
Accounts receivable		79,424	
Intergovernmental receivable		183,945	
Special assessments receivable		54,487	
Total		953,291	953,291
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(1,968)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.			
Net pension asset		25,255	
Deferred outflows of resources		882,687	
Deferred inflows of resources		(681,431)	
Net pension liability		(4,246,665)	
Total		(4,020,154)	(4,020,154)
The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources		451,324	
Deferred inflows of resources		(126,086)	
Net OPEB liability		(3,676,547)	
Total		(3,351,309)	(3,351,309)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		183,915	
General obligation notes payable		757,043	
Special assessment notes payable		101,884	
Total		(1,042,842)	(1,042,842)
Net position of governmental activities		\$	13,115,528

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

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

	General	Street Construction Maintenance and Repair	Police Department Operating Levy	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income taxes	\$ 3,327,166	\$ -	\$ -	\$ -	\$ 3,327,166
Real and other taxes	-	416,755	683,813	70,858	1,171,426
Other local taxes	-	63,752	-	-	63,752
Special assessments	1,714	-	-	60,321	62,035
Charges for services	347,501	-	-	49,529	397,030
Licenses and permits	93,280	-	-	-	93,280
Fines and forfeitures	47,954	-	-	1,671	49,625
Intergovernmental	83,999	630,146	22,626	183,605	920,376
Investment income	35,674	9,188	1,321	4,693	50,876
Other	31,242	13,333	-	54,516	99,091
Total revenues	3,968,530	1,133,174	707,760	425,193	6,234,657
Expenditures:					
Current:					
General government	1,256,439	-	-	18,791	1,275,230
Security of persons and property	2,304,163	-	571,882	160,150	3,036,195
Public health and welfare	59,367	-	-	36,436	95,803
Leisure time activity	-	-	-	102,212	102,212
Community environment	88,937	-	-	-	88,937
Transportation	-	591,882	-	31,029	622,911
Capital outlay	138,609	713,716	80,463	28,529	961,317
Debt service:					
Principal retirement	60,953	-	27,441	101,023	189,417
Interest and fiscal charges	9,942	-	5,139	15,608	30,689
Total expenditures	3,918,410	1,305,598	684,925	493,778	6,402,711
Excess (deficiency) of revenues over (under) expenditures	50,120	(172,424)	22,835	(68,585)	(168,054)
Other financing sources (uses):					
Transfers in	-	-	-	80,000	80,000
Transfers (out)	(80,000)	-	-	-	(80,000)
Total other financing sources (uses)	(80,000)	-	-	80,000	-
Net change in fund balances	(29,880)	(172,424)	22,835	11,415	(168,054)
Fund balances at beginning of year	1,207,328	1,083,921	128,029	1,015,026	3,434,304
Fund balances at end of year	\$ 1,177,448	\$ 911,497	\$ 150,864	\$ 1,026,441	\$ 3,266,250

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

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

Net change in fund balances - total governmental funds	\$	(168,054)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.		
Capital asset additions	\$ 972,768	
Current year depreciation	(684,136)	
Total	288,632	288,632
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(67,390)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	4,900	
Real and other taxes	60,635	
Special assessments	(40,816)	
Charges for services	27,021	
Intergovernmental revenues	(17,171)	
Other	49	
Total	34,618	34,618
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		189,417
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.		
		155
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	429,887	
OPEB	8,413	
Total	438,300	438,300
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(566,632)	
OPEB	(299,265)	
Total	(865,897)	(865,897)
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.		
		(5,158)
Change in net position of governmental activities	\$	(155,377)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 3,170,000	\$ 3,170,000	\$ 3,285,981	\$ 115,981
Special assessments	500	500	1,714	1,214
Charges for services.	403,713	403,713	369,680	(34,033)
Licenses and permits	94,865	94,865	90,208	(4,657)
Fines and forfeitures	56,000	56,000	47,015	(8,985)
Intergovernmental.	67,310	67,310	87,531	20,221
Investment income	7,800	7,800	35,674	27,874
Other	8,076	8,076	7,647	(429)
Total revenues	<u>3,808,264</u>	<u>3,808,264</u>	<u>3,925,450</u>	<u>117,186</u>
Expenditures:				
Current:				
General government	1,360,603	1,463,803	1,319,789	144,014
Security of persons and property	2,510,252	2,512,152	2,418,298	93,854
Public health and welfare.	60,150	60,150	59,364	786
Community environment	97,770	99,270	92,651	6,619
Capital outlay.	132,700	140,680	139,326	1,354
Debt service:				
Principal retirement.	61,000	61,000	60,953	47
Interest and fiscal charges	10,000	10,000	9,942	58
Total expenditures	<u>4,232,475</u>	<u>4,347,055</u>	<u>4,100,323</u>	<u>246,732</u>
Excess of expenditures over revenues.	<u>(424,211)</u>	<u>(538,791)</u>	<u>(174,873)</u>	<u>363,918</u>
Other financing sources (uses):				
Advances in	-	-	20,000	20,000
Transfers (out).	(80,000)	(80,619)	(80,419)	200
Other financing sources	2,500	2,500	23,390	20,890
Other financing uses.	-	(711)	(711)	-
Total other financing sources (uses)	<u>(77,500)</u>	<u>(78,830)</u>	<u>(37,740)</u>	<u>41,090</u>
Net change in fund balances	(501,711)	(617,621)	(212,613)	405,008
Fund balances at beginning of year	559,923	559,923	559,923	-
Prior year encumbrances appropriated	144,485	144,485	144,485	-
Fund balance at end of year	<u>\$ 202,697</u>	<u>\$ 86,787</u>	<u>\$ 491,795</u>	<u>\$ 405,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real and other taxes.	\$ 470,672	\$ 470,672	\$ 463,755	\$ (6,917)
Other local taxes.	68,000	68,000	64,245	(3,755)
Intergovernmental.	445,200	520,100	632,031	111,931
Investment income.	2,000	2,000	9,188	7,188
Other.	500	500	427	(73)
Total revenues.	<u>986,372</u>	<u>1,061,272</u>	<u>1,169,646</u>	<u>108,374</u>
Expenditures:				
Current:				
Transportation	648,466	690,466	619,999	70,467
Capital outlay	611,213	664,613	820,374	(155,761)
Total expenditures.	<u>1,259,679</u>	<u>1,355,079</u>	<u>1,440,373</u>	<u>(85,294)</u>
Excess of expenditures over revenues.	<u>(273,307)</u>	<u>(293,807)</u>	<u>(270,727)</u>	<u>23,080</u>
Other financing sources:				
Note issuance	-	106,555	-	(106,555)
Sale of capital assets.	-	-	11,135	11,135
Other financing sources	100	100	1,771	1,671
Total other financing sources.	<u>100</u>	<u>106,655</u>	<u>12,906</u>	<u>(93,749)</u>
Net change in fund balances.	(273,207)	(187,152)	(257,821)	(70,669)
Fund balances at beginning of year	927,126	927,126	927,126	-
Prior year encumbrances appropriated	27,448	27,448	27,448	-
Fund balance at end of year	<u>\$ 681,367</u>	<u>\$ 767,422</u>	<u>\$ 696,753</u>	<u>\$ (70,669)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE DEPARTMENT OPERATING LEVY 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>		
Revenues:				
Real and other taxes	\$ 780,484	\$ 780,484	\$ 751,813	\$ (28,671)
Intergovernmental	-	-	22,626	22,626
Investment income	-	-	1,321	1,321
Total revenues	<u>780,484</u>	<u>780,484</u>	<u>775,760</u>	<u>(4,724)</u>
Expenditures:				
Current:				
Security of persons and property	650,450	660,450	584,006	76,444
Capital outlay	71,100	81,100	80,463	637
Debt service:				
Principal retirement	27,441	27,441	27,441	-
Interest and fiscal charges	5,139	5,139	5,139	-
Total expenditures	<u>754,130</u>	<u>774,130</u>	<u>697,049</u>	<u>77,081</u>
Net change in fund balances	26,354	6,354	78,711	72,357
Fund balances at beginning of year	29	29	29	-
Fund balance at end of year	<u>\$ 26,383</u>	<u>\$ 6,383</u>	<u>\$ 78,740</u>	<u>\$ 72,357</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents . . .	\$ 710,382	\$ 1,430,840	\$ 509,563	\$ 2,650,785
Receivables:				
Accounts	487,612	319,738	47,583	854,933
Due from other governments	81	-	-	81
Prepayments	17,306	7,708	1,826	26,840
Total current assets	<u>1,215,381</u>	<u>1,758,286</u>	<u>558,972</u>	<u>3,532,639</u>
Noncurrent assets:				
Net pension asset	3,232	3,469	657	7,358
Capital assets:				
Land and construction in progress	144,728	696	20,645	166,069
Depreciable capital assets, net	5,227,048	3,329,722	5,631,128	14,187,898
Total capital assets, net	<u>5,371,776</u>	<u>3,330,418</u>	<u>5,651,773</u>	<u>14,353,967</u>
Total noncurrent assets	<u>5,375,008</u>	<u>3,333,887</u>	<u>5,652,430</u>	<u>14,361,325</u>
Total assets	<u>6,590,389</u>	<u>5,092,173</u>	<u>6,211,402</u>	<u>17,893,964</u>
Deferred outflows of resources:				
Pension	44,943	45,323	9,415	99,681
OPEB	8,520	9,146	1,733	19,399
Total deferred outflows of resources	<u>53,463</u>	<u>54,469</u>	<u>11,148</u>	<u>119,080</u>
Liabilities:				
Current liabilities:				
Accounts payable	372	9,305	397	10,074
Accrued wages payable	8,190	8,108	1,524	17,822
Due to other governments	113,006	60,428	457	173,891
Compensated absences payable - current	11,380	10,785	2,500	24,665
OPWC loans payable	21,140	61,749	32,277	115,166
Total current liabilities	<u>154,088</u>	<u>150,375</u>	<u>37,155</u>	<u>341,618</u>
Long-term liabilities:				
OPWC loans payable	366,419	119,635	190,760	676,814
Net pension liability	155,723	167,163	31,679	354,565
Net OPEB liability	112,559	120,827	22,898	256,284
Total long-term liabilities	<u>634,701</u>	<u>407,625</u>	<u>245,337</u>	<u>1,287,663</u>
Total liabilities	<u>788,789</u>	<u>558,000</u>	<u>282,492</u>	<u>1,629,281</u>
Deferred inflows of resources:				
Pension	67,252	56,131	8,755	132,138
OPEB	29,036	17,338	2,517	48,891
Total deferred inflows of resources	<u>96,288</u>	<u>73,469</u>	<u>11,272</u>	<u>181,029</u>
Net position:				
Net investment in capital assets	4,984,217	3,149,034	5,428,736	13,561,987
Unrestricted	774,558	1,366,139	500,050	2,640,747
Total net position	<u>\$ 5,758,775</u>	<u>\$ 4,515,173</u>	<u>\$ 5,928,786</u>	<u>\$ 16,202,734</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

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

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm	Total
Operating revenues:				
Charges for services	\$ 1,895,644	\$ 1,308,648	\$ 166,157	\$ 3,370,449
Other operating revenues	1,095	-	-	1,095
Total operating revenues.	<u>1,896,739</u>	<u>1,308,648</u>	<u>166,157</u>	<u>3,371,544</u>
Operating expenses:				
Personal services	263,019	288,281	46,889	598,189
Contract services	1,298,388	1,170,324	65,648	2,534,360
Materials and supplies.	65,296	25,102	12,169	102,567
Depreciation.	212,497	145,359	169,530	527,386
Total operating expenses.	<u>1,839,200</u>	<u>1,629,066</u>	<u>294,236</u>	<u>3,762,502</u>
Operating income (loss)	<u>57,539</u>	<u>(320,418)</u>	<u>(128,079)</u>	<u>(390,958)</u>
Nonoperating revenues (expenses):				
Loss on disposal of capital assets	(4,890)	(14,323)	(2,103)	(21,316)
Intergovernmental	14,963	14,963	-	29,926
Total nonoperating revenues (expenses)	<u>10,073</u>	<u>640</u>	<u>(2,103)</u>	<u>8,610</u>
Change in net position	67,612	(319,778)	(130,182)	(382,348)
Net position at beginning of year (restated)	<u>5,691,163</u>	<u>4,834,951</u>	<u>6,058,968</u>	<u>16,585,082</u>
Net position at end of year	<u>\$ 5,758,775</u>	<u>\$ 4,515,173</u>	<u>\$ 5,928,786</u>	<u>\$ 16,202,734</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

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

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm	Total
Cash flows from operating activities:				
Cash received from sales/charges for services.	\$ 1,912,733	\$ 1,362,955	\$ 165,974	\$ 3,441,662
Cash received from other operations	1,095	-	-	1,095
Cash payments for personal services.	(261,336)	(281,133)	(42,042)	(584,511)
Cash payments for contractual services	(1,203,646)	(1,103,058)	(65,120)	(2,371,824)
Cash payments for materials and supplies.	<u>(66,875)</u>	<u>(25,058)</u>	<u>(12,043)</u>	<u>(103,976)</u>
Net cash provided by (used in) operating activities	<u>381,971</u>	<u>(46,294)</u>	<u>46,769</u>	<u>382,446</u>
Cash flows from noncapital financing activities:				
Cash received from grants and subsidies.	<u>14,963</u>	<u>14,963</u>	<u>-</u>	<u>29,926</u>
Net cash provided by noncapital financing activities .	<u>14,963</u>	<u>14,963</u>	<u>-</u>	<u>29,926</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets.	(196,626)	(51,537)	(63,399)	(311,562)
Principal retirement on OPWC loans	<u>(7,047)</u>	<u>(20,583)</u>	<u>(10,759)</u>	<u>(38,389)</u>
Net cash used in capital and related financing activities.	<u>(203,673)</u>	<u>(72,120)</u>	<u>(74,158)</u>	<u>(349,951)</u>
Net increase (decrease) in cash and cash equivalents . .	193,261	(103,451)	(27,389)	62,421
Cash and cash equivalents at beginning of year. . . .	<u>517,121</u>	<u>1,534,291</u>	<u>536,952</u>	<u>2,588,364</u>
Cash and cash equivalents at end of year	<u><u>\$ 710,382</u></u>	<u><u>\$ 1,430,840</u></u>	<u><u>\$ 509,563</u></u>	<u><u>\$ 2,650,785</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 57,539	\$ (320,418)	\$ (128,079)	\$ (390,958)
Adjustments:				
Depreciation	212,497	145,359	169,530	527,386
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	17,089	54,307	(183)	71,213
(Increase) decrease in due from other governments. . . .	(81)	112	-	31
(Increase) decrease in prepayments.	(3,146)	(495)	185	(3,456)
(Increase) in net pension asset	(1,265)	(1,656)	(331)	(3,252)
Decrease in deferred outflows - pension	73,100	58,665	10,888	142,653
(Increase) in deferred outflows - OPEB	(6,546)	(7,326)	(1,405)	(15,277)
Increase (decrease) in accounts payable.	(15,074)	9,303	397	(5,374)
Increase (decrease) in accrued wages payable.	(3,318)	(4,187)	450	(7,055)
Increase in intergovernmental payable	110,871	58,133	112	169,116
Increase in compensated absences payable	2,543	1,582	230	4,355
(Decrease) in net pension liability	(132,992)	(98,960)	(16,221)	(248,173)
Increase (decrease) in net OPEB liability	(22,677)	(3,901)	397	(26,181)
Increase in deferred inflows - pension.	64,395	45,850	8,282	118,527
Increase in deferred inflows - OPEB	<u>29,036</u>	<u>17,338</u>	<u>2,517</u>	<u>48,891</u>
Net cash provided by (used in) operating activities. . .	<u><u>\$ 381,971</u></u>	<u><u>\$ (46,294)</u></u>	<u><u>\$ 46,769</u></u>	<u><u>\$ 382,446</u></u>

Non-cash Transactions:

The sewer fund purchased \$8,020 in capital assets on account during 2017.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2018

	<u>Private-Purpose Trust</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 27,855	\$ 42,665
Total assets	<u>27,855</u>	<u>42,665</u>
Liabilities:		
Deposits held and due to others	<u>-</u>	<u>\$ 42,665</u>
Total liabilities.	<u>-</u>	<u>\$ 42,665</u>
Net position:		
Held in trust for other purposes.	<u>27,855</u>	
Total net position.	<u>\$ 27,855</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF CANFIELD, OHIO

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

NOTE 1 - DESCRIPTION OF THE CITY

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Canfield, this includes police protection, street maintenance and repairs, planning and zoning, parks and recreation, water and wastewater. The operation of each of these activities is directly controlled by Council through the budgetary process.

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

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

CITY OF CANFIELD, OHIO

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

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

The City is associated with one organization which is defined as a jointly governed organization. The Canfield Community Joint Economic District was established during 2015. See Note 16 to the notes to the basic financial statements for detail.

B. Basis of Presentation - Fund Accounting

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

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

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

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

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

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

CITY OF CANFIELD, OHIO

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

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

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

Police Department Operating Levy Fund - This fund accounts for property tax collections received through a tax levy to be used for the operations of the police department programs and capital expenditures.

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

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

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

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is a private-purpose trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has five agency funds. The City's agency funds primarily account for mayor's court and deposits.

Private Purpose Trust Fund

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

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

CITY OF CANFIELD, OHIO

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

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

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of the City are included on the statement of net position.

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

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

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

E. Basis of Accounting

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

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

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

CITY OF CANFIELD, OHIO

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Notes 13 and 14 for deferred outflows of resources related the City's net pension liability and net OPEB liability, respectively.

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

For the City, see Notes 13 and 14 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

CITY OF CANFIELD, OHIO

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

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

F. Budgetary Data

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

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

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

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

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

CITY OF CANFIELD, OHIO

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

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

G. Encumbrances

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

H. Cash and Cash Equivalents

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

During 2018, investments were limited to a repurchase agreement and investments in State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

For 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 \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2018 amounted to \$35,674, which included \$28,561 assigned from other funds of the City.

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

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

CITY OF CANFIELD, OHIO

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

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

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 for all assets other than grants that require the reporting of all assets regardless of cost. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. If interest is incurred during the construction of capital assets, it will be capitalized for the business-type activities.

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

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

J. Compensated Absences

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

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

CITY OF CANFIELD, OHIO

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

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

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. Notes are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Interfund Balances

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

M. Interfund Activity

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

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

N. Prepayments

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

CITY OF CANFIELD, OHIO

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

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

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision-making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

P. Estimates

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

CITY OF CANFIELD, OHIO

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

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

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions from grants and other funds are reported as revenue in the proprietary fund financial statements. The City did not have any contributions of capital during fiscal year 2018.

R. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Police Department assets acquired through the trust funds are restricted to law enforcement use.

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

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and storm water programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items during 2018.

U. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net pension asset, deferred outflows of resources and deferred inflows of resources related 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.

CITY OF CANFIELD, OHIO

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the City has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the City's postemployment benefit plan disclosures, as presented in Note 14 to the basic financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

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 improves consistency in accounting and financial 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 improves 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. The governmental activities and business-type activities at January 1, 2018 have been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm</u>
Net position as previously reported	\$ 16,331,362	\$ 16,863,425	\$ 5,824,425	\$ 4,957,859	\$ 6,081,141
Deferred outflows - payments subsequent to measurement date	18,537	4,122	1,974	1,820	328
Net OPEB liability	<u>(3,078,994)</u>	<u>(282,465)</u>	<u>(135,236)</u>	<u>(124,728)</u>	<u>(22,501)</u>
Restated net position at January 1, 2018	<u>\$ 13,270,905</u>	<u>\$ 16,585,082</u>	<u>\$ 5,691,163</u>	<u>\$ 4,834,951</u>	<u>\$ 6,058,968</u>

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

B. Deficit Fund Balances

Fund balances at December 31, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
OVI Task Force Grant - Fiscal Year 2019	\$ 42,731

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

CITY OF CANFIELD, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

CITY OF CANFIELD, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The City may also invest any monies not required to be used for a period of six months or more in the following:

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

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

B. Deposits with Financial Institutions

At December 31, 2018, the carrying amount of all City deposits was \$83,905, and the bank balance of all City deposits was \$355,072. Of the bank balance, \$250,000 was covered by the FDIC and \$105,072 was covered by the Ohio Pooled Collateral System (OPCS).

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 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 institutions were approved for a reduced collateral rate. 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 CANFIELD, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

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

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturities 6 months or less</u>
<i>Cost value:</i>		
Repurchase agreement	\$ 5,284,408	\$ 5,284,408
<i>Amortized cost:</i>		
STAR Ohio	<u>2,002</u>	<u>2,002</u>
Total	<u>\$ 5,286,410</u>	<u>\$ 5,286,410</u>

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City’s \$5,284,408 investment in a repurchase agreement, the entire balance is collateralized by underlying securities that are held by the investment’s counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2018:

<u>Investment type</u>	<u>Measurement Value</u>	<u>% to Total</u>
Repurchase agreement	\$ 5,284,408	99.96%
STAR Ohio	<u>2,002</u>	<u>0.04%</u>
Total	<u>\$ 5,286,410</u>	<u>100.00%</u>

CITY OF CANFIELD, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 83,905
Investments	5,286,409
Cash on hand	<u>1,710</u>
Total	<u>\$ 5,372,024</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,650,719
Business type activities	2,650,785
Private purpose trust funds	27,855
Agency funds	<u>42,665</u>
Total	<u>\$ 5,372,024</u>

NOTE 5 - INTERFUNDS

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

	<u>Amount</u>
Transfers to parks fund from general fund	\$ 60,000
Transfers to cemeteries fund from general fund	<u>20,000</u>
Total transfers to nonmajor governmental funds from the General fund	<u>\$ 80,000</u>

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

- B. Due to/from other funds at December 31, 2018, as reported on the fund financial statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor special revenue funds: OVI task force fund - FY19	<u>\$ 30,487</u>

The primary purpose of the due to/from other funds is to cover the negative cash balance at year-end in the OVI task force fund – FY19 nonmajor governmental special revenue fund. The interfund balance will be repaid once the anticipated revenues are received.

CITY OF CANFIELD, OHIO

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

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.

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 Canfield. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 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 considered a deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2018 was \$6.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$ 180,692,920
Commercial/Industrial/Mineral	26,082,460
Public Utility	
Real	4,939,160
Total Assessed Value	<u>\$ 211,714,540</u>

NOTE 7 - LOCAL INCOME TAX

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

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

CITY OF CANFIELD, OHIO

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

NOTE 7 - LOCAL INCOME TAX – (Continued)

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

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

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

Income tax proceeds are received by the general fund.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2018, consisted of taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2018.

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

Governmental Activities:

Income taxes	\$ 959,143
Real and other taxes	1,415,983
Accounts	148,844
Special assessments	54,487
Due from other governments	308,807

Business-type Activities:

Accounts	854,933
Due from other governments	81

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

CITY OF CANFIELD, OHIO

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2018, was as follows:

<u>Governmental Activities:</u>	Balance 01/01/2018	Additions	Disposals	Balance 12/31/2018
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,383,608	\$ -	\$ -	\$ 2,383,608
Construction in progress	9,499	511,569	(9,499)	511,569
Total capital assets, not being depreciated	<u>2,393,107</u>	<u>511,569</u>	<u>(9,499)</u>	<u>2,895,177</u>
<i>Capital assets, being depreciated:</i>				
Buildings	3,783,555	13,163	-	3,796,718
Land improvements	39,290	-	-	39,290
Equipment	2,467,566	457,535	(407,998)	2,517,103
Infrastructure	20,196,300	-	-	20,196,300
Total capital assets, being depreciated	<u>26,486,711</u>	<u>470,698</u>	<u>(407,998)</u>	<u>26,549,411</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(2,239,928)	(74,541)	-	(2,314,469)
Land improvements	(39,290)	-	-	(39,290)
Equipment	(1,282,751)	(159,865)	340,608	(1,102,008)
Infrastructure	(8,226,831)	(449,730)	-	(8,676,561)
Total accumulated depreciation	<u>(11,788,800)</u>	<u>(684,136)</u>	<u>340,608</u>	<u>(12,132,328)</u>
Total capital assets, being depreciated, net	<u>14,697,911</u>	<u>(213,438)</u>	<u>(67,390)</u>	<u>14,417,083</u>
Governmental activities capital assets, net	<u>\$ 17,091,018</u>	<u>\$ 298,131</u>	<u>\$ (76,889)</u>	<u>\$ 17,312,260</u>

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

Governmental activities:

General Government	\$ 58,377
Security of Persons and Property	125,865
Public Health and Welfare	4,273
Leisure Time Activities	13,249
Community Environment	535
Transportation	<u>481,837</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 684,136</u>

CITY OF CANFIELD, OHIO

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

NOTE 9 - CAPITAL ASSETS - (Continued)

Capital asset activity for business-type activities for the year ended December 31, 2018, was as follows:

<u>Business-type Activities:</u>	Balance 1/1/2018	Additions	Disposals	Balance 12/31/2018
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,297	\$ -	\$ -	\$ 21,297
Construction in progress	16,805	143,032	(15,065)	144,772
Total capital assets, not being depreciated	<u>38,102</u>	<u>143,032</u>	<u>(15,065)</u>	<u>166,069</u>
<i>Capital assets, being depreciated:</i>				
Buildings	1,915,261	9,265	-	1,924,526
Equipment	403,009	78,632	(79,654)	401,987
Infrastructure	24,672,072	87,677	-	24,759,749
Total capital assets, being depreciated	<u>26,990,342</u>	<u>175,574</u>	<u>(79,654)</u>	<u>27,086,262</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(883,323)	(46,085)	-	(929,408)
Equipment	(320,875)	(14,145)	58,339	(276,681)
Infrastructure	(11,225,119)	(467,156)	-	(11,692,275)
Total accumulated depreciation	<u>(12,429,317)</u>	<u>(527,386)</u>	<u>58,339</u>	<u>(12,898,364)</u>
Total capital assets, being depreciated, net	<u>14,561,025</u>	<u>(351,812)</u>	<u>(21,315)</u>	<u>14,187,898</u>
Business-type activities capital assets, net	<u>\$ 14,599,127</u>	<u>\$ (208,780)</u>	<u>\$ (36,380)</u>	<u>\$ 14,353,967</u>

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

<u>Business-type activities:</u>	
Water	\$ 212,497
Sewer	145,359
Storm	169,530
Total depreciation expense - business-type activities	<u>\$ 527,386</u>

NOTE 10 - EMPLOYEE BENEFITS

A. Health/Life Insurance

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

CITY OF CANFIELD, OHIO

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

NOTE 10 - EMPLOYEE BENEFITS - (Continued)

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

All full-time employees are eligible for health, dental, vision and life insurance coverage. City premiums are paid from the same funds that pay the employees' salaries. During 2018, all employees with health insurance coverage paid 12% of the premium paid by the City for their health insurance.

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time up to a maximum of 200 hours is paid upon termination of employment. Employees earn sick leave at a rate of ten (10) hours per month. Sick leave accrual is continuous, up to 2,000 hours. Upon retirement or death, an employee with 10 years of continuous service can be paid an amount equal to one-fourth (1/4) the total number of accumulated, unused sick hours, not to exceed the maximum of 500 hours. As of December 31, 2018, the liability for unpaid compensated absences was \$208,580 for the entire City.

NOTE 11 - LONG-TERM OBLIGATIONS

A. During 2018, the following activity occurred in governmental activities long-term obligations. The long-term obligations at December 31, 2017 have been restated as described in Note 3.

Governmental Activities:	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Restated Balance 01/01/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2018</u>	<u>Amounts Due in One Year</u>
<u>General Obligation Notes:</u>							
Red Gate Land Acquisition	2015	2.92%	\$ 403,966	\$ -	\$ (68,663)	\$ 335,303	\$ 70,718
Police Department Addition	2015	2.92%	358,606	-	(60,953)	297,653	62,778
Radio & Equipment	2017	2.17%	151,528	-	(27,441)	124,087	30,011
Total General Obligation Notes			<u>914,100</u>	<u>-</u>	<u>(157,057)</u>	<u>757,043</u>	<u>163,507</u>
<u>Special Assessment Notes:</u>							
Kings Lake Street Lights	2016	2.39%	134,244	-	(32,360)	101,884	33,148
<u>Other Long-Term Obligations:</u>							
Net Pension Liability			4,796,288	68,469	(618,092)	4,246,665	-
Net OPEB Liability			3,078,994	597,553	-	3,676,547	-
Compensated Absences			178,757	192,851	(187,693)	183,915	183,915
Total Long-Term Obligations			<u>8,054,039</u>	<u>858,873</u>	<u>(805,785)</u>	<u>8,107,127</u>	<u>183,915</u>
Total Governmental Activities Long-Term Obligations			<u>\$ 9,102,383</u>	<u>\$ 858,873</u>	<u>\$ (995,202)</u>	<u>\$ 8,966,054</u>	<u>\$ 380,570</u>

CITY OF CANFIELD, OHIO

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

On February 1, 2017, the City issued a general obligation note in the amount of \$151,527 to purchase radios and ancillary equipment for the City of Canfield Police Department. This note has an interest rate of 2.174% and matures on September 1, 2022. The principal and interest on the note will be paid out of the police department operating levy fund and the general fund.

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

Net Pension Liability and Net OPEB Liability: See Notes 13 and 14 for more details. The City pays obligations related to employee compensation from the fund benefitting from their service which for the City, is primarily the general, Street, and Police funds.

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

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

Year Ending December 31,	General Obligation Notes			Special Assessment Note		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 163,507	\$ 19,830	\$ 183,337	\$ 33,148	\$ 2,269	\$ 35,417
2020	168,121	15,217	183,338	33,952	1,465	35,417
2021	172,963	10,374	183,337	34,784	633	35,417
2022	177,897	5,440	183,337	-	-	-
2023	74,555	824	75,379	-	-	-
Total	<u>\$ 757,043</u>	<u>\$ 51,685</u>	<u>\$ 808,728</u>	<u>\$ 101,884</u>	<u>\$ 4,367</u>	<u>\$ 106,251</u>

CITY OF CANFIELD, OHIO

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. During 2018, the following activity occurred in the City's business-type long-term liabilities. The long-term obligations at December 31, 2017 have been restated as described in Note 3.

Business-Type Activities	<u>Date of Issue</u>	<u>Interest Rate</u>	Restated			<u>Balance 12/31/2018</u>	<u>Amounts Due in One Year</u>
			<u>Balance 1/1/2018</u>	<u>Additions</u>	<u>Retirements</u>		
<u>OPWC Loans:</u>							
Sawmill Sanitary Main Replacement	2002	0.00%	\$ 63,040	\$ -	\$ (9,006)	\$ 54,034	\$ 27,017
Sawmill Sanitary Main Lining	2003	0.00%	138,927	-	(11,577)	127,350	34,732
Water Transmission Line Rehabilitation and Replacement	2015	0.00%	394,606	-	(7,047)	387,559	21,140
Court St. Arena Storm Water Improvement	2000	0.00%	35,796	-	(7,159)	28,637	21,477
Fairview Dr. Storm Water Management	2015	0.00%	198,000	-	(3,600)	194,400	10,800
Total OPWC Loans			<u>830,369</u>	<u>-</u>	<u>(38,389)</u>	<u>791,980</u>	<u>115,166</u>
<u>Other Long-Term Obligations:</u>							
Net pension liability			602,738	-	(248,173)	354,565	-
Net OPEB liability			282,465	-	(26,181)	256,284	-
Compensated absences			20,310	25,641	(21,286)	24,665	24,665
Total Other Long-Term Obligations			<u>905,513</u>	<u>25,641</u>	<u>(295,640)</u>	<u>635,514</u>	<u>24,665</u>
Total business-type activities long-term obligations			<u>\$ 1,735,882</u>	<u>\$ 25,641</u>	<u>\$ (334,029)</u>	<u>\$ 1,427,494</u>	<u>\$ 139,831</u>

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

Net Pension Liability and Net OPEB Liability: See Notes 13 and 14 for more details. The City pays obligations related to employee compensation from the fund benefitting from their service which for the City, are the water, sewer, and storm funds.

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

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CITY OF CANFIELD, OHIO

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending December 31,	OPWC Loans		
	Principal	Interest	Total
2019	\$ 115,166	\$ -	\$ 115,166
2020	69,619	-	69,619
2021	53,453	-	53,453
2022	44,449	-	44,449
2023	44,447	-	44,447
2024 - 2028	106,465	-	106,465
2029 - 2033	106,465	-	106,465
2034 - 2038	106,465	-	106,465
2039 - 2043	106,466	-	106,466
2044 - 2045	38,985	-	38,985
Total	<u>\$ 791,980</u>	<u>\$ -</u>	<u>\$ 791,980</u>

C. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2018, the City’s total debt margin was \$21,609,724 and the unvoted debt margin was \$11,023,997.

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CITY OF CANFIELD, OHIO

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

NOTE 12 - RISK MANAGEMENT

A. Property, Liability and Bonds

The City is exposed to various risks of loss related to torts: theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the City contracted with Argonaut Insurance Group purchased through McGowan Governmental Underwriters for various types of insurance as follows:

City of Canfield Insurance Policies:

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

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

B. Workers' Compensation

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

C. Unemployment

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

CITY OF CANFIELD, OHIO

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

CITY OF CANFIELD, OHIO

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% 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%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

CITY OF CANFIELD, OHIO

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
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 for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$233,042 for 2018. Of this amount, \$19,285 is reported as due to other governments.

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

CITY OF CANFIELD, OHIO

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

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

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

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

	Police
2018 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2018 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
Total Employer	19.50 %
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$249,425 for 2018. Of this amount, \$19,351 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2017, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

CITY OF CANFIELD, OHIO

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.01073500%	0.02975100%	0.01249700%	0.04675300%	
Proportion of the net pension liability/asset current measurement date	<u>0.01001700%</u>	<u>0.02366900%</u>	<u>0.01123600%</u>	<u>0.04936500%</u>	
Change in proportionate share	<u>-0.00071800%</u>	<u>-0.00608200%</u>	<u>-0.00126100%</u>	<u>0.00261200%</u>	
Proportionate share of the net pension liability	\$ 1,571,472	\$ -	\$ -	\$ 3,029,758	\$ 4,601,230
Proportionate share of the net pension asset	-	(32,221)	(392)	-	(32,613)
Pension expense	292,822	5,202	(127)	331,070	628,967

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

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources					
Differences between expected and actual experience	\$ 1,605	\$ -	\$ 762	\$ 45,979	\$ 48,346
Changes of assumptions	187,804	2,816	47	132,022	322,689
Changes in employer's proportionate percentage/ difference between employer contributions	3,546	-	-	125,320	128,866
City contributions subsequent to the measurement date	212,083	14,988	5,971	249,425	482,467
Total deferred outflows of resources	<u>\$ 405,038</u>	<u>\$ 17,804</u>	<u>\$ 6,780</u>	<u>\$ 552,746</u>	<u>\$ 982,368</u>

CITY OF CANFIELD, OHIO

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred inflows of resources					
Differences between expected and actual experience	\$ 30,969	\$ 9,597	\$ -	\$ 5,481	\$ 46,047
Net difference between projected and actual earnings on pension plan investments	337,376	5,084	110	104,803	447,373
Changes in employer's proportionate percentage/ difference between employer contributions	99,393	-	-	220,756	320,149
Total deferred inflows of resources	<u>\$ 467,738</u>	<u>\$ 14,681</u>	<u>\$ 110</u>	<u>\$ 331,040</u>	<u>\$ 813,569</u>

\$482,467 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 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 - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Year Ending December 31:					
2019	\$ 84,369	\$ (1,616)	\$ 85	\$ 46,071	\$ 128,909
2020	(71,959)	(1,755)	84	18,519	(55,111)
2021	(148,561)	(2,894)	72	(89,945)	(241,328)
2022	(138,632)	(2,775)	73	(68,679)	(210,013)
2023	-	(989)	106	52,456	51,573
Thereafter	-	(1,836)	279	13,859	12,302
Total	<u>\$ (274,783)</u>	<u>\$ (11,865)</u>	<u>\$ 699</u>	<u>\$ (27,719)</u>	<u>\$ (313,668)</u>

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 CANFIELD, OHIO

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
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 for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to 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% for 2017.

CITY OF CANFIELD, OHIO

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:

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	100.00 %	5.66 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 2,790,536	\$ 1,571,472	\$ 555,142
Combined Plan	(17,515)	(32,221)	(42,368)
Member-Directed Plan	(225)	(392)	(562)

CITY OF CANFIELD, OHIO

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below. The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the investment rate of return from 8.25% to 8.00%, (b) projected salary increases decreased from 4.25% - 11.00% to 3.75% - 10.50%, (c) payroll increases decreased from 3.75% to 3.25%, (d) inflation assumptions decreased from 3.25% to 2.75% and (e) Cost of Living Adjustments (COLAs) decreased from 2.60% to 2.20%.

Valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%
Cost of living adjustments	2.20% and 3.00% simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF’s Board and were effective beginning with the January 1, 2017 actuarial valuation.

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

CITY OF CANFIELD, OHIO

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2017 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.22 %	5.39 %
Non-US Equity	16.00	4.41	5.59
Private Markets	8.00	6.67	8.08
Core Fixed Income *	23.00	1.57	2.71
High Yield Fixed Income	7.00	2.94	4.71
Private Credit	5.00	6.93	7.26
Global Inflation			
Protected Securities *	17.00	0.98	2.52
Master Limited Partnerships	8.00	7.50	7.93
Real Assets	8.00	6.88	7.24
Private Real Estate	12.00	5.58	6.34
Total	120.00 %		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. A discount rate of 8.25% was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 4,200,032	\$ 3,029,758	\$ 2,075,283

CITY OF CANFIELD, OHIO

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported January 1, 2018, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

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 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 net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

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.

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.

CITY OF CANFIELD, OHIO

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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. Beginning in 2018, health care is not being funded.

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.

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 \$2,388 for 2018. Of this amount, \$198 is reported as due to other governments.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

CITY OF CANFIELD, OHIO

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$6,564 for 2018. Of this amount, \$509 is reported as due to other governments.

CITY OF CANFIELD, OHIO

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. 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 and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.01130900%	0.04675300%	
Proportion of the net OPEB liability current measurement date	<u>0.01046000%</u>	<u>0.04936500%</u>	
Change in proportionate share	<u>-0.00084900%</u>	<u>0.00261200%</u>	
Proportionate share of the net OPEB liability	\$ 1,135,879	\$ 2,796,952	\$ 3,932,831
OPEB expense	69,220	238,017	307,237

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 885	\$ -	\$ 885
Changes of assumptions	82,704	272,923	355,627
Changes in employer's proportionate percentage/ difference between employer contributions	-	105,259	105,259
City contributions subsequent to the measurement date	2,388	6,564	8,952
Total deferred outflows of resources	<u>\$ 85,977</u>	<u>\$ 384,746</u>	<u>\$ 470,723</u>

CITY OF CANFIELD, OHIO

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 14,108	\$ 14,108
Net difference between projected and actual earnings on pension plan investments	84,615	18,410	103,025
Changes in employer's proportionate percentage/ difference between employer contributions	57,844	-	57,844
Total deferred inflows of resources	<u>\$ 142,459</u>	<u>\$ 32,518</u>	<u>\$ 174,977</u>

\$8,952 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2019	\$ (8,846)	\$ 48,625	\$ 39,779
2020	(8,846)	48,625	39,779
2021	(20,025)	48,625	28,600
2022	(21,153)	48,627	27,474
2023	-	53,228	53,228
Thereafter	-	97,935	97,935
Total	<u>\$ (58,870)</u>	<u>\$ 345,665</u>	<u>\$ 286,795</u>

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 CANFIELD, OHIO

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

NOTE 14 - 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.

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.

CITY OF CANFIELD, OHIO

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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:

Asset Class	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	100.00 %	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). 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	\$ 1,509,064	\$ 1,135,879	\$ 833,976

CITY OF CANFIELD, OHIO

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,086,794	\$ 1,135,879	\$ 1,186,582

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

CITY OF CANFIELD, OHIO

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five-year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

CITY OF CANFIELD, OHIO

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

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

Note: Assumptions are geometric.

*levered 2x

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

Discount Rate - The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, 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 Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

CITY OF CANFIELD, OHIO

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$ 3,496,223	\$ 2,796,952	\$ 2,258,893

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 2,172,722	\$ 2,796,952	\$ 3,638,202

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned, restricted or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

CITY OF CANFIELD, OHIO

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
6. Some funds are included in the general fund (GAAP basis) but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General</u>	Street Construction Maintenance and Repair	Police Department Operating Levy
Budget basis	\$ (212,613)	\$ (257,821)	\$ 78,711
Net adjustment for revenue accruals	42,461	(36,472)	(68,000)
Net adjustment for expenditure accruals	1,855	9,086	(13,152)
Net adjustment for other sources/uses	(42,260)	(12,906)	-
Funds budgeted elsewhere	(804)		-
Adjustment for encumbrances	181,481	125,689	25,276
GAAP basis	<u>\$ (29,880)</u>	<u>\$ (172,424)</u>	<u>\$ 22,835</u>

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

Canfield Community Joint Economic Development District (JEDD)

The City of Canfield has entered into a contractual agreement effective April 27, 2015 with Canfield Township to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State of Ohio, the City, the Township and the JEDD. The JEDD is administered by a five member Board of Directors consisting of one member representing the City, one member representing the Township, one member representing the owners of businesses located in the JEDD, one member representing persons working within the JEDD, and one member who shall serve as the chairperson who selected by the other four members. The initial term of the agreement is for a period of twenty-five years from the effective date. The Board of Directors has entered into an agreement with the City of Canfield to administer, collect and enforce the income tax on behalf of the JEDD. In consideration of its services pertaining to income tax administration and collection, the City shall receive a service fee equal to one percent of gross income tax revenue based upon receipts. The City shall pay one percent of the gross income tax into escrow. Upon termination of the contractual agreement, any property, asset and obligations of the JEDD shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party. The JEDD had income tax revenue of \$13,846.76 during 2018.

CITY OF CANFIELD, OHIO

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

NOTE 17 - FUND BALANCE

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

Fund balance	General	Street Construction, Maintenance and Repair	Police Department Operating Levy	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays	\$ 82,567	\$ 21,643	\$ 4,467	\$ 2,467	\$ 111,144
Unclaimed monies	3,218	-	-	-	3,218
Permanent fund	-	-	-	72,400	72,400
Total nonspendable	85,785	21,643	4,467	74,867	186,762
Restricted:					
Security of persons and property	-	-	146,397	153,853	300,250
Public health and welfare	-	-	-	21,871	21,871
Transportation	-	889,854	-	125,992	1,015,846
Capital outlay	-	-	-	4,828	4,828
Debt service	-	-	-	136,740	136,740
Permanent fund	-	-	-	99,715	99,715
Total restricted	-	889,854	146,397	542,999	1,579,250
Committed:					
General government	15,634	-	-	215,119	230,753
Leisure time activities	-	-	-	236,187	236,187
Community environment	236	-	-	-	236
Total committed	15,870	-	-	451,306	467,176
Assigned:					
General government	49,666	-	-	-	49,666
Security of persons and property	98,182	-	-	-	98,182
Community environment	3,828	-	-	-	3,828
Subsequent year appropriations	191,569	-	-	-	191,569
Total assigned	343,245	-	-	-	343,245
Unassigned (deficit)	732,548	-	-	(42,731)	689,817
Total fund balances	\$ 1,177,448	\$ 911,497	\$ 150,864	\$ 1,026,441	\$ 3,266,250

CITY OF CANFIELD, OHIO

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

NOTE 18 - LAND LEASE AGREEMENT

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

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 170,764
Street Construction, Maintenance and Repair	123,181
Police Department Operating Levy	25,234
Other Governmental	<u>126,311</u>
Total	<u>\$ 445,490</u>

NOTE 20 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2018.

B. Litigation

The City is party to one (1) legal proceeding. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City. A description of the pending legal proceeding follows:

City of Athens, et al v. Joseph Testa, Tax Commissioner, et al, Franklin County Court of Common Pleas Case No. 17 CV 10258. The City of Canfield has joined this litigation with regards to HB 49. The plaintiff municipalities are seeking relief from the applicability of that legislation and challenging the constitutionality of the same. Frost Brown Todd is representing the municipalities. Attorney Eugene Hollins can be reached at 614-464-1211 for further information.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANFIELD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST 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	0.010017%	0.010735%	0.011121%	0.011088%	0.011088%
City's proportionate share of the net pension liability	\$ 1,571,472	\$ 2,437,737	\$ 1,926,297	\$ 1,337,337	\$ 1,307,131
City's covered payroll	\$ 1,323,738	\$ 1,387,675	\$ 1,392,950	\$ 1,354,508	\$ 1,356,408
City's proportionate share of the net pension liability as a percentage of its covered payroll	118.71%	175.67%	138.29%	98.73%	96.37%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%
<i>Combined Plan:</i>					
City's proportion of the net pension asset	0.023669%	0.029751%	0.031320%	0.032328%	0.032328%
City's proportionate share of the net pension asset	\$ 32,221	\$ 16,557	\$ 15,241	\$ 12,448	\$ 3,392
City's covered payroll	\$ 96,938	\$ 115,808	\$ 113,283	\$ 118,167	\$ 107,700
City's proportionate share of the net pension asset as a percentage of its covered payroll	33.24%	14.30%	13.45%	10.53%	3.15%
Plan fiduciary net position as a percentage of the total pension asset	137.28%	116.55%	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>					
City's proportion of the net pension asset	0.011236%	0.012497%	0.012233%	n/a	n/a
City's proportionate share of the net pension asset	\$ 392	\$ 52	\$ 47	n/a	n/a
City's covered payroll	\$ 61,580	\$ 64,874	\$ 86,063	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.64%	0.08%	0.05%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	124.46%	103.40%	103.91%	n/a	n/a

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANFIELD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.04936500%	0.04673530%	0.05274700%	0.05284500%	0.05284500%
City's proportionate share of the net pension liability	\$ 3,029,758	\$ 2,961,289	\$ 3,393,261	\$ 2,737,607	\$ 2,573,732
City's covered payroll	\$ 1,198,095	\$ 1,118,963	\$ 1,190,137	\$ 1,160,168	\$ 1,125,595
City's proportionate share of the net pension liability as a percentage of its covered payroll	252.88%	264.65%	285.12%	235.97%	228.66%
Plan fiduciary net position as a percentage of the total pension liability	70.91%	68.36%	66.77%	72.20%	73.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANFIELD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 212,083	\$ 172,086	\$ 166,521	\$ 167,154
Contributions in relation to the contractually required contribution	<u>(212,083)</u>	<u>(172,086)</u>	<u>(166,521)</u>	<u>(167,154)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,514,879	\$ 1,323,738	\$ 1,387,675	\$ 1,392,950
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 14,988	\$ 12,602	\$ 13,897	\$ 13,594
Contributions in relation to the contractually required contribution	<u>(14,988)</u>	<u>(12,602)</u>	<u>(13,897)</u>	<u>(13,594)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 107,057	\$ 96,938	\$ 115,808	\$ 113,283
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 5,971	\$ 6,158	\$ 6,163	\$ 8,176
Contributions in relation to the contractually required contribution	<u>(5,971)</u>	<u>(6,158)</u>	<u>(6,163)</u>	<u>(8,176)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 59,710	\$ 61,580	\$ 51,358	\$ 68,133
Contributions as a percentage of covered payroll	10.00%	10.00%	12.00%	12.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 162,541	\$ 176,294	\$ 140,089	\$ 183,498	\$ 171,828	\$ 179,779
<u>(162,541)</u>	<u>(176,294)</u>	<u>(140,089)</u>	<u>(183,498)</u>	<u>(171,828)</u>	<u>(179,779)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,354,508	\$ 1,356,108	\$ 1,400,890	\$ 1,834,980	\$ 1,926,323	\$ 2,211,304
12.00%	13.00%	10.00%	10.00%	8.92%	8.13%
\$ 14,180	\$ 14,001	\$ 4,425	\$ 3,668	\$ 3,602	
<u>(14,180)</u>	<u>(14,001)</u>	<u>(4,425)</u>	<u>(3,668)</u>	<u>(3,602)</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 118,167	\$ 107,700	\$ 55,660	\$ 46,138	\$ 37,185	
12.00%	13.00%	7.95%	7.95%	9.69%	

CITY OF CANFIELD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Police:</i>				
Contractually required contribution	\$ 249,425	\$ 227,638	\$ 212,603	\$ 226,126
Contributions in relation to the contractually required contribution	<u>(249,425)</u>	<u>(227,638)</u>	<u>(212,603)</u>	<u>(226,126)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,312,763	\$ 1,198,095	\$ 1,118,963	\$ 1,190,137
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 220,432	\$ 178,782	\$ 151,456	\$ 192,923	\$ 188,210	\$ 178,457
<u>(220,432)</u>	<u>(178,782)</u>	<u>(151,456)</u>	<u>(192,923)</u>	<u>(188,210)</u>	<u>(178,457)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,160,168	\$ 1,125,595	\$ 1,187,890	\$ 1,513,122	\$ 1,476,157	\$ 1,399,663
19.00%	15.88%	12.75%	12.75%	12.75%	12.75%

CITY OF CANFIELD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.010460%	0.011309%
City's proportionate share of the net OPEB liability	\$ 1,135,879	\$ 1,142,200
City's covered payroll	\$ 1,482,256	\$ 1,568,357
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.63%	72.83%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

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 fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANFIELD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.04936500%	0.04675300%
City's proportionate share of the net OPEB liability	\$ 2,796,952	\$ 2,219,260
City's covered payroll	\$ 1,198,095	\$ 1,118,963
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	233.45%	198.33%
Plan fiduciary net position as a percentage of the total OPEB liability	14.13%	15.96%

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 fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANFIELD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,388	\$ 16,669	\$ 32,989	\$ 30,125
Contributions in relation to the contractually required contribution	<u>(2,388)</u>	<u>(16,669)</u>	<u>(32,989)</u>	<u>(30,125)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,681,646	\$ 1,482,256	\$ 1,554,841	\$ 1,574,366
Contributions as a percentage of covered payroll	0.14%	1.12%	2.12%	1.91%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 29,462	\$ 14,632	\$ 59,403	\$ 53,149	\$ 63,412	\$ 75,347
<u>(29,462)</u>	<u>(14,632)</u>	<u>(59,403)</u>	<u>(53,149)</u>	<u>(63,412)</u>	<u>(75,347)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,472,675	\$ 1,463,808	\$ 1,456,550	\$ 1,881,118	\$ 1,963,508	\$ 2,211,304
2.00%	1.00%	4.08%	2.83%	3.23%	3.41%

CITY OF CANFIELD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Police:</i>				
Contractually required contribution	\$ 6,564	\$ 5,990	\$ 5,595	\$ 6,112
Contributions in relation to the contractually required contribution	<u>(6,564)</u>	<u>(5,990)</u>	<u>(5,595)</u>	<u>(6,112)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,312,763	\$ 1,198,095	\$ 1,118,963	\$ 1,190,137
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 5,787	\$ 40,112	\$ 80,183	\$ 66,790	\$ 65,150	\$ 61,746
<u>(5,787)</u>	<u>(40,112)</u>	<u>(80,183)</u>	<u>(66,790)</u>	<u>(65,150)</u>	<u>(61,746)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,160,168	\$ 1,125,595	\$ 1,187,890	\$ 1,513,122	\$ 1,476,157	\$ 1,399,663
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%

CITY OF CANFIELD, OHIO

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.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.

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%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 6, 2019, wherein we noted 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

August 6, 2019

OHIO AUDITOR OF STATE
KEITH FABER



CITY OF CANFIELD

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 10, 2019**