



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, 2019, 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, 2019, 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 Matters**

As discussed in Note 3 to the financial statements, during 2019, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, as discussed in Note 20 to the financial statements, during 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding these matters.

**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 26, 2020, 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 26, 2020

## CITY OF CANFIELD, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (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, 2019. 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 2019 are as follows:

- The total net position of the City increased \$907,712. Net position of governmental activities increased \$2,078,279 or 15.85% from 2018's net position. Net position of business-type activities decreased \$1,170,567 or 7.22% from 2018's net position.
- General revenues accounted for \$5,152,994 of total governmental activities revenue. Program specific revenues accounted for \$1,981,835 or 27.78% of total governmental activities revenue.
- The City had \$5,056,550 in expenses related to governmental activities; \$1,981,835 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,074,715 were offset by general revenues (primarily taxes and unrestricted grants and entitlements) of \$5,152,994.
- The general fund had revenues of \$4,354,187 in 2019. This represents an increase of \$385,657 from 2018. The expenditures and other financing uses of the general fund, which totaled \$4,337,934 in 2019, increased \$339,524 from 2018. The net increase in fund balance for the general fund was \$16,253 or 1.38%.
- The street construction maintenance and repair fund had revenues and other financing sources of \$1,618,090 in 2019. The expenditures of the street construction maintenance and repair fund totaled \$1,590,895 in 2019. The net increase in fund balance for the street construction maintenance and repair fund was \$27,195 or 2.98%.
- The police department operating levy fund had revenues of \$820,832 in 2019. The expenditures of the police department operating levy fund totaled \$775,814 in 2019. The net increase in fund balance was \$45,018 or 29.84%.
- Net position for the business-type activities, which are made up of the Sewer, Water and Storm enterprise funds decreased in 2019 by \$1,170,567 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, 2019 (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 2019?" 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, 2019  
(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. Custodial 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 assets and liabilities.

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**CITY OF CANFIELD, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)

**Government-Wide Financial Analysis**

The table below provides a summary of the City's net position for 2019 and 2018. Asset and liabilities at December 31, 2018 have been restated due to the implementation of GASB Statement No. 84 as described in Note 3.

**Net Position**

	Governmental Activities		Business-type Activities		Total	
	Restated		Restated		Restated	
	2019	2018	2019	2018	2019	2018
<u>Assets:</u>						
Current and Other Assets	\$ 5,728,348	\$ 5,691,920	\$ 3,310,406	\$ 3,545,667	\$ 9,038,754	\$ 9,237,587
Capital Assets	17,671,932	17,312,260	13,407,830	14,353,967	31,079,762	31,666,227
Total Assets	23,400,280	23,004,180	16,718,236	17,899,634	40,118,516	40,903,814
<u>Deferred Outflows:</u>						
Pension	2,131,530	882,687	285,976	99,681	2,417,506	982,368
OPEB	628,853	451,324	63,542	19,399	692,395	470,723
Total Deferred Outflows	2,760,383	1,334,011	349,518	119,080	3,109,901	1,453,091
<u>Liabilities:</u>						
Long-term Liabilities Outstanding	941,153	1,042,842	744,009	816,645	1,685,162	1,859,487
Net Pension Liability	6,587,806	4,246,665	749,010	354,565	7,336,816	4,601,230
Net OPEB Liability	1,618,828	3,676,547	368,572	256,284	1,987,400	3,932,831
Other Liabilities	211,239	191,844	124,155	207,457	335,394	399,301
Total Liabilities	9,359,026	9,157,898	1,985,746	1,634,951	11,344,772	10,792,849
<u>Deferred Inflows:</u>						
Property taxes	1,216,747	1,257,248	-	-	1,216,747	1,257,248
Pension	228,869	681,431	33,289	132,138	262,158	813,569
OPEB	162,214	126,086	16,552	48,891	178,766	174,977
Total Deferred Inflows	1,607,830	2,064,765	49,841	181,029	1,657,671	2,245,794
<u>Net Position:</u>						
Net investment in capital assets	16,992,198	16,555,217	12,692,627	13,561,987	29,684,825	30,117,204
Restricted	1,192,935	1,380,193	-	-	1,192,935	1,380,193
Unrestricted	(2,991,326)	(4,819,882)	2,339,540	2,640,747	(651,786)	(2,179,135)
Total Net Position	\$ 15,193,807	\$ 13,115,528	\$ 15,032,167	\$ 16,202,734	\$ 30,225,974	\$ 29,318,262

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net pension asset.

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/asset 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, 2019 (UNAUDITED)

GASB 68 and GASB 75 require the net pension liability/asset and the net OPEB liability/asset 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/asset and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$30,225,974. At year-end, net position was \$15,193,807 and \$15,032,167 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 77.47% of total assets. Capital assets include land, buildings, land improvements, equipment, infrastructure and construction in progress. Net investment in capital assets at December 31, 2019, was \$16,992,198 and \$12,692,627 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$1,192,935, 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 \$2,991,326.

**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)**

The table below shows the changes in net position for fiscal year 2019 and 2018.

	<b>Change in Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 623,019	\$ 636,706	\$ 3,641,543	\$ 3,370,449	\$ 4,264,562	\$ 4,007,155
Operating grants and contributions	1,058,535	747,332	7,821	29,926	1,066,356	777,258
Capital grants and contributions	300,281	191,827	-	-	300,281	191,827
Total program revenues	<u>1,981,835</u>	<u>1,575,865</u>	<u>3,649,364</u>	<u>3,400,375</u>	<u>5,631,199</u>	<u>4,976,240</u>
General revenues:						
Property taxes	1,336,496	1,232,061	-	-	1,336,496	1,232,061
Income taxes	3,534,899	3,332,066	-	-	3,534,899	3,332,066
Unrestricted grants and entitlements	166,611	62,367	-	-	166,611	62,367
Investment earnings	59,513	35,674	-	-	59,513	35,674
Miscellaneous	55,475	31,242	5,069	1,095	60,544	32,337
Total general revenues	<u>5,152,994</u>	<u>4,693,410</u>	<u>5,069</u>	<u>1,095</u>	<u>5,158,063</u>	<u>4,694,505</u>
Total revenues	<u>7,134,829</u>	<u>6,269,275</u>	<u>3,654,433</u>	<u>3,401,470</u>	<u>10,789,262</u>	<u>9,670,745</u>
<b>Expenses:</b>						
General government	1,695,863	1,403,779	-	-	1,695,863	1,403,779
Security of persons and property	1,700,133	3,525,126	-	-	1,700,133	3,525,126
Public health and welfare	103,447	100,826	-	-	103,447	100,826
Transportation	1,328,946	1,147,184	-	-	1,328,946	1,147,184
Community environment	109,218	99,941	-	-	109,218	99,941
Leisure time activity	93,953	117,262	-	-	93,953	117,262
Interest and fiscal charges	24,990	30,534	-	-	24,990	30,534
Water	-	-	2,708,884	1,844,090	2,708,884	1,844,090
Sewer	-	-	1,786,352	1,643,389	1,786,352	1,643,389
Storm	-	-	329,764	296,339	329,764	296,339
Total expenses	<u>5,056,550</u>	<u>6,424,652</u>	<u>4,825,000</u>	<u>3,783,818</u>	<u>9,881,550</u>	<u>10,208,470</u>
Change in net position	2,078,279	(155,377)	(1,170,567)	(382,348)	907,712	(537,725)
Net position at beginning 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>
Net position at end of year	<u>\$ 15,193,807</u>	<u>\$ 13,115,528</u>	<u>\$ 15,032,167</u>	<u>\$ 16,202,734</u>	<u>\$ 30,225,974</u>	<u>\$ 29,318,262</u>

**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)**

**Governmental Activities**

Governmental activities net position increased \$2,078,279 in 2019. The increase in net position is the result of a decrease in expenses in 2019. Expenses decreased in 2019 primarily due to the implementation of a new stipend-based health care model by Ohio Police & Fire (OP&F).

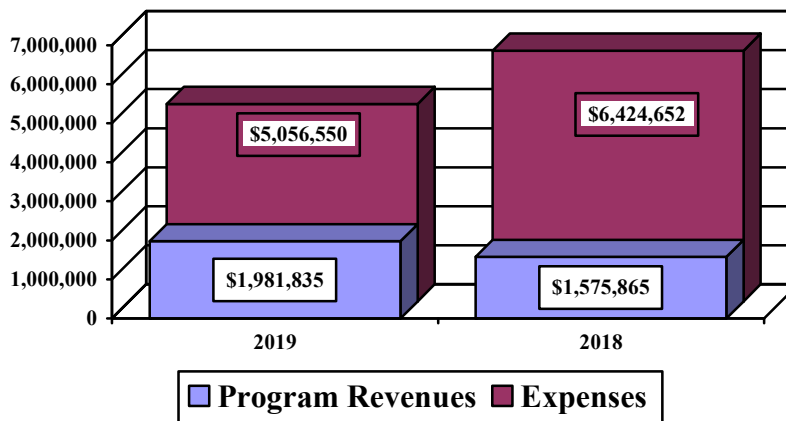
Security of persons and property which primarily supports the operations of the police department and streetlights accounted for \$1,700,133 or 17.21% of the total expenses of the City. Security of persons and property expenses were partially funded by \$371,705 in direct charges to users of the services and \$312,606 in operating grants and contributions. General government expenses totaled \$1,695,863 or 17.17% of the total expenses of the City. General government expenses were partially funded by \$203,216 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$1,058,535 in operating grants and contributions and \$300,281 in capital grants and contributions. These revenues are restricted to a particular program or purpose. The City received \$1,036,657 in operating and capital grants and contributions that were used to subsidize transportation programs

General revenues totaled \$5,152,994 and amounted to 72.22% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$4,871,395. The other primary source of general revenues is grants and entitlements not restricted to specific programs, making up \$166,611. Unrestricted grants and entitlements increased during 2019 as a result of greater collections of JEDD revenue and local government revenue.

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

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



**CITY OF CANFIELD, OHIO**

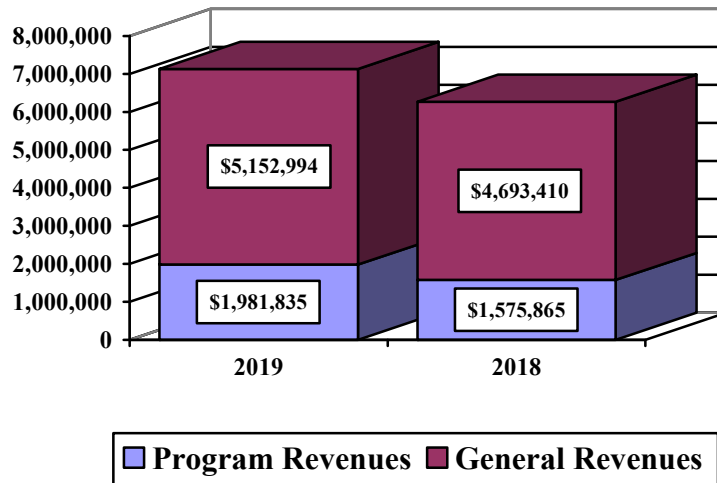
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)

**Governmental Activities**

	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>
Program Expenses:				
General government	\$ 1,695,863	\$ 1,492,647	\$ 1,403,779	\$ 1,060,016
Security of persons and property	1,700,133	1,015,822	3,525,126	3,110,759
Public health and welfare	103,447	80,301	100,826	67,323
Transportation	1,328,946	292,289	1,147,184	399,292
Community environment	109,218	108,068	99,941	99,341
Leisure time activity	93,953	60,598	117,262	88,139
Interest and fiscal charges	<u>24,990</u>	<u>24,990</u>	<u>30,534</u>	<u>23,917</u>
<b>Total</b>	<b><u>\$ 5,056,550</u></b>	<b><u>\$ 3,074,715</u></b>	<b><u>\$ 6,424,652</u></b>	<b><u>\$ 4,848,787</u></b>

The dependence upon general revenues for governmental activities is apparent, with 60.81% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2019 and 2018.

**Governmental Activities – General and Program Revenues**

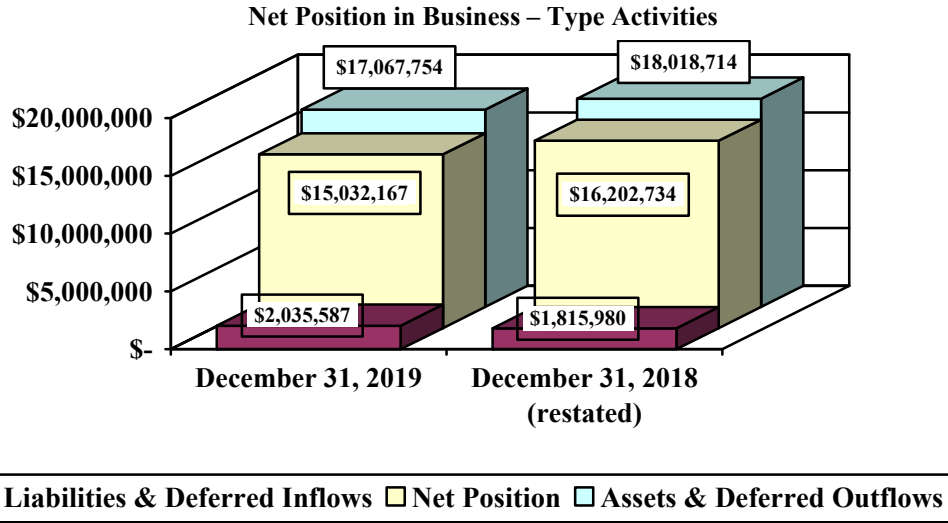


**CITY OF CANFIELD, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)

**Business-Type Activities**

Business-type activities include the sewer, water and storm water enterprise funds. These funds had program revenues of \$3,649,364, general revenues of \$5,069 and expenses of \$4,825,000 for 2019. The graph below shows the business-type activities assets, liabilities and net position at year-end. The assets and liabilities at December 31, 2018 have been restated due to the implementation of GASB Statement No. 84 as described in Note 3.



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

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

**Governmental Funds**

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

The City's governmental funds reported a combined fund balance of \$3,263,059 which is a decrease of \$3,191 from last year's total of \$3,266,250.

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2019 for all major and non-major governmental funds.

	Fund Balances <u>12/31/19</u>	Fund Balances <u>12/31/18</u>	Increase (Decrease)	Percentage Change
Major Funds:				
General	\$ 1,193,701	\$ 1,177,448	\$ 16,253	1.38%
Street Construction, Maintenance and Repair	938,692	911,497	27,195	2.98%
Police Department Operating Levy Fund	195,882	150,864	45,018	29.84%
Other Nonmajor Governmental Funds	<u>934,784</u>	<u>1,026,441</u>	<u>(91,657)</u>	<u>(8.93%)</u>
Total	<u>\$ 3,263,059</u>	<u>\$ 3,266,250</u>	<u>\$ (3,191)</u>	<u>(0.10%)</u>

**CITY OF CANFIELD, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)

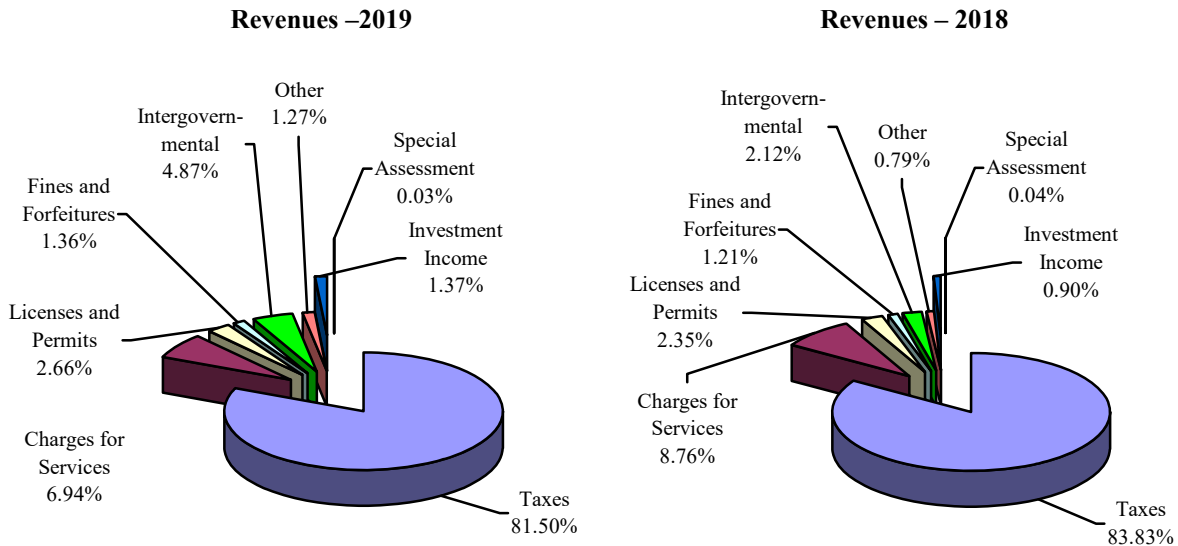
The increase in fund balance of the street construction, maintenance and repair fund is primarily due to increased property tax revenue, gasoline excise tax revenue, and a new Ohio Public Works Commission (OPWC) grant related to resurfacing. The increase in fund balance of the police department operating levy is primarily due to the increase in property tax revenue received in fiscal year 2019.

**General Fund**

The City's general fund balance increased \$16,253. The table that follows assists in illustrating the revenues of the general fund.

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues</b>				
Income Taxes	\$ 3,548,578	\$ 3,327,166	\$ 221,412	6.65%
Special Assessments	1,471	1,714	(243)	(14.18%)
Charges for Services	301,984	347,501	(45,517)	(13.10%)
Licenses and Permits	115,955	93,280	22,675	24.31%
Fines and Forfeitures	59,149	47,954	11,195	23.35%
Intergovernmental	212,062	83,999	128,063	152.46%
Investment income	59,513	35,674	23,839	66.82%
Other	<u>55,475</u>	<u>31,242</u>	<u>24,233</u>	77.57%
<b>Total</b>	<b><u>\$ 4,354,187</u></b>	<b><u>\$ 3,968,530</u></b>	<b><u>\$ 385,657</u></b>	9.72%

Revenues in the general fund increased \$385,657 or 9.72% in 2019. Income tax revenue represents 81.50% of all 2019 general fund revenue. Income tax revenue increased 6.65% over the prior year. Intergovernmental revenue increased \$128,063 or 152.46% due to an increase in federal grants and state local government revenue. Revenues from charges for services decreased \$45,517 or 13.10% compared to 2018. Investment income increased by \$23,839 or 66.82% due to an increase in earnings from the City's general checking account.





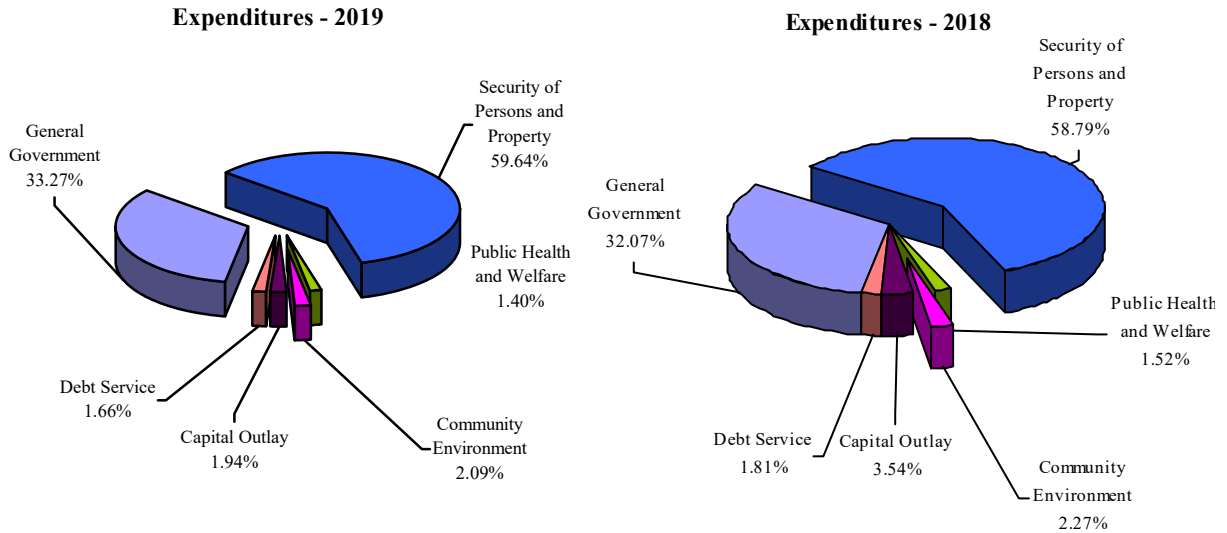
**CITY OF CANFIELD, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)

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

	<u>2019</u>	<u>2018</u>	<u>Increase</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
<b><u>Expenditures</u></b>				
General Government	\$ 1,420,620	\$ 1,256,439	\$ 164,181	13.07%
Security of Persons and Property	2,546,471	2,304,163	242,308	10.52%
Public Health and Welfare	59,578	59,367	211	0.36%
Community Environment	89,153	88,937	216	0.24%
Capital Outlay	82,717	138,609	(55,892)	(40.32%)
Debt service	<u>70,895</u>	<u>70,895</u>	-	0.00%
 Total	 <u>\$ 4,269,434</u>	 <u>\$ 3,918,410</u>	 <u>\$ 351,024</u>	 8.96%

The City's total general fund expenditures increased \$351,024 or 8.96% in 2019. The greatest increases were in security of person and property as well as, general government. Capital outlay is a category that can fluctuate significantly depending on what is being replaced or purchased. General government primarily increased due to greater spending on personal and contractual services during fiscal year 2019. Security of persons and property expenditure function increased due to greater expenditures for the police department in fiscal year 2019.



***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 \$210,778 greater than they were in the final budget and actual expenditures and other financing uses were \$162,654 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$153,205 from the original to the final budget. Budgeted revenues increased \$52,312 from the original to the final budget.

**CITY OF CANFIELD, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)

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

The street construction maintenance and repair fund had revenues and other financing sources of \$1,618,090 in 2019. The expenditures of the street construction, maintenance and repair fund, totaled \$1,590,895 and fund balance increased \$27,195 or 2.98% during 2019. The increase in intergovernmental revenue and capital outlay expenditures was a result of grants that were received in 2019 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 \$820,832 in 2019. The expenditures totaled \$775,814, the increase in fund balance and fund balance at years end were \$45,018 and \$195,882, 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 \$1,972,960 and operating expenses of \$2,067,578 for 2019. The Water fund net position decreased \$731,740 in 2019. The Sewer fund had operating revenues of \$1,337,381 and operating expenses of \$1,786,352 for 2019. The Sewer fund net position decreased \$445,759 in 2019. The Storm fund had operating revenues of \$336,271 and operating expenses of \$329,764 in 2019. The Storm fund net position increased \$6,932 in 2019.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2019, the City had \$31,079,762 (net of accumulated depreciation) invested in land, buildings, land improvements, equipment, infrastructure, and construction in progress (CIP). Of this total, \$17,671,932 was reported in governmental activities and \$13,407,830 was reported in business-type activities. The following table shows fiscal 2019 balances compared to 2018. See Note 9 to the basic financial statements for details on the City's capital assets.

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

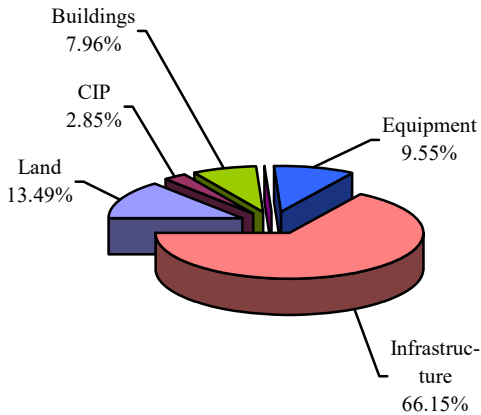
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 2,383,608	\$ 2,383,608	\$ 21,297	\$ 21,297	\$ 2,404,905	\$ 2,404,905
Construction in progress	503,802	511,569	84,200	144,772	588,002	656,341
Buildings	1,406,969	1,482,249	948,646	995,118	2,355,615	2,477,367
Equipment	1,687,170	1,415,095	211,938	125,306	1,899,108	1,540,401
Infrastructure	<u>11,690,383</u>	<u>11,519,739</u>	<u>12,141,749</u>	<u>13,067,474</u>	<u>23,832,132</u>	<u>24,587,213</u>
Totals	<u>\$ 17,671,932</u>	<u>\$ 17,312,260</u>	<u>\$ 13,407,830</u>	<u>\$ 14,353,967</u>	<u>\$ 31,079,762</u>	<u>\$ 31,666,227</u>

**CITY OF CANFIELD, OHIO**

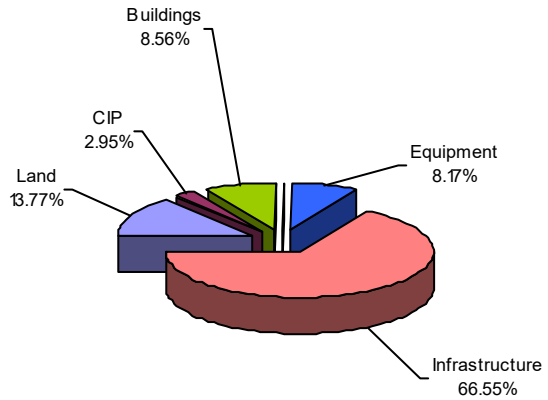
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)**

The graphs below show the breakdown of governmental capital assets by category for 2019 and 2018.

**Capital Assets - Governmental Activities 2019**



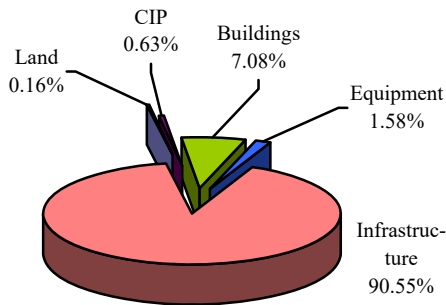
**Capital Assets - Governmental Activities 2018**



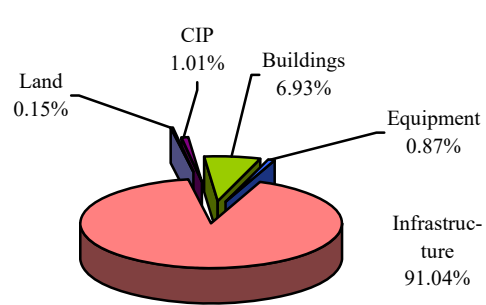
The City's infrastructure is the largest governmental activities capital asset category, which includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 66.15% of the City's total governmental capital assets at December 31, 2019.

The following graphs show the breakdown of business-type capital assets by category for 2019 and 2018.

**Capital Assets - Business-Type Activities 2019**



**Capital Assets - Business-Type Activities 2018**



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 90.55% of the City's total business-type capital assets at December 31, 2019.

**CITY OF CANFIELD, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2019 and 2018:

	<b>Governmental Activities</b>	
	<u>2019</u>	<u>2018</u>
General obligation notes	\$ 593,535	\$ 757,043
Vehicle acquisition bond	86,199	-
Special assessment notes	<u>68,735</u>	<u>101,884</u>
Total long-term obligations	<u>\$ 748,469</u>	<u>\$ 858,927</u>

	<b>Business-Type Activities</b>	
	<u>2019</u>	<u>2018</u>
OPWC loans	<u>\$ 715,203</u>	<u>\$ 791,980</u>
Total long-term obligations	<u>\$ 715,203</u>	<u>\$ 791,980</u>

All of the City's long-term obligations are considered direct borrowings. Further detail on the City's long-term obligations can be found in Note 11 to the financial statements.

**Economic Conditions and Outlook**

The City of Canfield took a major step into the future by embarking on the creation of the Canfield Community Comprehensive Plan starting in the summer of 2019. The major areas of emphasis being studied include: economic growth and development, preserving the community character and historical reputation of the City, while also enhancing and improving the Main St. transportation corridor and enhancing the quality of life and place. The plan is anticipated to be completed in spring/summer of 2020.

In 2019, legislation was passed to create the City of Canfield Community Improvement Corporation (CIC) which will act as an instrument to promote economic, industrial, commercial and civic development, specifically focusing on Red Gate Farm. Furthermore, the Community Reinvestment Area (CRA) of the City was amended to include the entire City of Canfield boundaries and should provide for additional economic development incentives for those individuals/companies that choose to invest in developing or redeveloping in the City of Canfield.

Another Joint Economic Development District (JEDD), Millennial Moments, with Canfield Township was finalized in 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. With the creation of the Millennial Moments JEDD and the annexation of Red Gate Farms, the City of Canfield has a unique opportunity to fulfill economic development needs for the entire Mahoning Valley, and provide for future growth and expansion of our tax base and utilities.

The City of Canfield Public Works Department in cooperation with Rural Community Assistance Partnership launched a GIS project in order to document the location, condition and material data of all our water, sanitary sewer and storm lines in the City. The City of Canfield also began the process of preparing to extend water and sanitary sewer lines to Red Gate Farm.

## **CITY OF CANFIELD, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

The 2019 resurfacing program allowed for the repaving of eight streets. Approximately 500 lineal feet of storm sewer line on Jade Circle was replaced due to significant failures and deficiencies. Also, 400 lineal feet of open drainage ditch was enclosed by installing storm water pipe and catch basins along a section of Hilltop Blvd. Residents of this section often experienced surface water flooding that damaged basements and below grade built portions of their homes.

#### **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, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 2,637,769	\$ 2,228,452	\$ 4,866,221
Receivables:			
Income taxes. . . . .	925,825	-	925,825
Real and other taxes . . . . .	1,409,977	-	1,409,977
Accounts. . . . .	131,076	1,048,365	1,179,441
Special assessments . . . . .	52,693	-	52,693
Due from other governments. . . . .	445,080	-	445,080
Prepayments . . . . .	104,583	26,706	131,289
Net pension asset. . . . .	21,345	6,883	28,228
Capital assets:			
Land and construction in progress. . . . .	2,887,410	105,497	2,992,907
Depreciable capital assets, net. . . . .	14,784,522	13,302,333	28,086,855
Total capital assets, net. . . . .	<u>17,671,932</u>	<u>13,407,830</u>	<u>31,079,762</u>
Total assets . . . . .	<u>23,400,280</u>	<u>16,718,236</u>	<u>40,118,516</u>
<b>Deferred outflows of resources:</b>			
Pension . . . . .	2,131,530	285,976	2,417,506
OPEB . . . . .	628,853	63,542	692,395
Total deferred outflows of resources . . . . .	<u>2,760,383</u>	<u>349,518</u>	<u>3,109,901</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	20,575	5,339	25,914
Accrued wages payable. . . . .	119,927	22,797	142,724
Due to other governments . . . . .	53,493	95,685	149,178
Accrued interest payable . . . . .	1,791	-	1,791
Deposits held and due to others	15,453	334	15,787
Long-term liabilities:			
Due within one year . . . . .	415,105	67,195	482,300
Due in more than one year:			
Net pension liability. . . . .	6,587,806	749,010	7,336,816
Net OPEB liability. . . . .	1,618,828	368,572	1,987,400
Other amounts due in more than one year. . . . .	526,048	676,814	1,202,862
Total liabilities . . . . .	<u>9,359,026</u>	<u>1,985,746</u>	<u>11,344,772</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . .	1,216,747	-	1,216,747
Pension . . . . .	228,869	33,289	262,158
OPEB . . . . .	162,214	16,552	178,766
Total deferred inflows of resources . . . . .	<u>1,607,830</u>	<u>49,841</u>	<u>1,657,671</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	16,992,198	12,692,627	29,684,825
Restricted for:			
Debt service . . . . .	60,233	-	60,233
Capital projects . . . . .	4,828	-	4,828
Transportation projects . . . . .	813,091	-	813,091
Security of persons and property. . . . .	138,276	-	138,276
Permanent fund - expendable . . . . .	104,107	-	104,107
Permanent fund - nonexpendable . . . . .	72,400	-	72,400
Unrestricted (deficit) . . . . .	<u>(2,991,326)</u>	<u>2,339,540</u>	<u>(651,786)</u>
Total net position. . . . .	<u>\$ 15,193,807</u>	<u>\$ 15,032,167</u>	<u>\$ 30,225,974</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<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>
<b>Governmental activities:</b>				
General government . . . . .	\$ 1,695,863	\$ 203,216	\$ -	\$ -
Security of persons and property . . . . .	1,700,133	371,705	312,606	-
Public health and welfare . . . . .	103,447	19,966	3,180	-
Transportation. . . . .	1,328,946	-	736,376	300,281
Community environment . . . . .	109,218	1,150	-	-
Leisure time activity. . . . .	93,953	26,982	6,373	-
Interest and fiscal charges. . . . .	24,990	-	-	-
Total governmental activities . . . . .	<u>5,056,550</u>	<u>623,019</u>	<u>1,058,535</u>	<u>300,281</u>
<b>Business-type activities:</b>				
Water . . . . .	2,708,884	1,969,310	4,184	-
Sewer . . . . .	1,786,352	1,337,381	3,212	-
Storm . . . . .	329,764	334,852	425	-
Total business-type activities . . . . .	<u>4,825,000</u>	<u>3,641,543</u>	<u>7,821</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 9,881,550</u>	<u>\$ 4,264,562</u>	<u>\$ 1,066,356</u>	<u>\$ 300,281</u>

**General revenues:**

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,492,647)	\$ -	\$ (1,492,647)
(1,015,822)	-	(1,015,822)
(80,301)	-	(80,301)
(292,289)	-	(292,289)
(108,068)	-	(108,068)
(60,598)	-	(60,598)
(24,990)	-	(24,990)
<u>(3,074,715)</u>	<u>-</u>	<u>(3,074,715)</u>
-	(735,390)	(735,390)
-	(445,759)	(445,759)
-	5,513	5,513
<u>-</u>	<u>(1,175,636)</u>	<u>(1,175,636)</u>
<u>(3,074,715)</u>	<u>(1,175,636)</u>	<u>(4,250,351)</u>
569,194	-	569,194
767,302	-	767,302
3,534,899	-	3,534,899
166,611	-	166,611
59,513	-	59,513
55,475	5,069	60,544
<u>5,152,994</u>	<u>5,069</u>	<u>5,158,063</u>
2,078,279	(1,170,567)	907,712
<u>13,115,528</u>	<u>16,202,734</u>	<u>29,318,262</u>
<u>\$ 15,193,807</u>	<u>\$ 15,032,167</u>	<u>\$ 30,225,974</u>

CITY OF CANFIELD, OHIO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	General	Street Construction Maintenance and Repair	Police Department Operating Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . .	\$ 776,878	\$ 804,125	\$ 111,173	\$ 945,593	\$ 2,637,769
Receivables:					
Income taxes . . . . .	925,825	-	-	-	925,825
Real and other taxes . . . . .	-	565,222	791,610	53,145	1,409,977
Accounts . . . . .	127,815	-	-	3,261	131,076
Special assessments . . . . .	8,125	-	-	44,568	52,693
Due from other funds . . . . .	36,354	-	-	-	36,354
Due from other governments . . . . .	59,161	305,536	10,907	69,476	445,080
Prepayments . . . . .	76,127	20,899	5,109	2,448	104,583
Total assets . . . . .	<u>\$ 2,010,285</u>	<u>\$ 1,695,782</u>	<u>\$ 918,799</u>	<u>\$ 1,118,491</u>	<u>\$ 5,743,357</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 7,757	\$ 10,096	\$ 34	\$ 2,688	\$ 20,575
Accrued wages payable . . . . .	92,820	11,474	14,453	1,180	119,927
Due to other funds . . . . .	-	-	-	36,354	36,354
Due to other governments . . . . .	41,393	4,516	6,913	671	53,493
Deposits held and due to others . . . . .	12,953	-	-	2,500	15,453
Total liabilities . . . . .	<u>154,923</u>	<u>26,086</u>	<u>21,400</u>	<u>43,393</u>	<u>245,802</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . .	-	495,478	672,124	49,145	1,216,747
Delinquent property tax revenue not available . .	-	22,744	18,486	-	41,230
Special assessments revenue not available . . . .	8,125	-	-	44,568	52,693
Miscellaneous revenue not available . . . . .	75,954	-	-	2,157	78,111
Income tax revenue not available . . . . .	540,021	-	-	-	540,021
Other nonexchange transactions . . . . .	37,561	212,782	10,907	44,444	305,694
Total deferred inflows of resources . . . . .	<u>661,661</u>	<u>731,004</u>	<u>701,517</u>	<u>140,314</u>	<u>2,234,496</u>
<b>Fund balances:</b>					
Nonspendable . . . . .	82,706	20,899	5,109	74,848	183,562
Restricted . . . . .	-	917,793	190,773	396,525	1,505,091
Committed . . . . .	15,896	-	-	483,108	499,004
Assigned . . . . .	175,797	-	-	-	175,797
Unassigned (deficit) . . . . .	919,302	-	-	(19,697)	899,605
Total fund balances . . . . .	<u>1,193,701</u>	<u>938,692</u>	<u>195,882</u>	<u>934,784</u>	<u>3,263,059</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 2,010,285</u>	<u>\$ 1,695,782</u>	<u>\$ 918,799</u>	<u>\$ 1,118,491</u>	<u>\$ 5,743,357</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, 2019

<b>Total governmental fund balances</b>		\$	3,263,059
<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.			17,671,932
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	540,021	
Real and other taxes receivable		41,230	
Accounts receivable		78,111	
Intergovernmental receivable		305,694	
Special assessments receivable		52,693	
Total		1,017,749	1,017,749
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(1,791)
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		21,345	
Deferred outflows of resources		2,131,530	
Deferred inflows of resources		(228,869)	
Net pension liability		(6,587,806)	
Total		(4,663,800)	(4,663,800)
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		628,853	
Deferred inflows of resources		(162,214)	
Net OPEB liability		(1,618,828)	
Total		(1,152,189)	(1,152,189)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		192,684	
General obligation notes payable		593,535	
Vehicle acquisition bond		86,199	
Special assessment notes payable		68,735	
Total		(941,153)	(941,153)
<b>Net position of governmental activities</b>		\$	15,193,807

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, 2019

	<b>General</b>	<b>Street Construction Maintenance and Repair</b>	<b>Police Department Operating Levy</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Income taxes . . . . .	\$ 3,548,578	\$ -	\$ -	\$ -	\$ 3,548,578
Real and other taxes . . . . .	-	577,343	795,658	4,000	1,377,001
Other local taxes . . . . .	-	64,080	-	-	64,080
Special assessments . . . . .	1,471	-	-	60,097	61,568
Charges for services . . . . .	301,984	-	-	38,898	340,882
Licenses and permits . . . . .	115,955	-	-	750	116,705
Fines and forfeitures . . . . .	59,149	-	-	455	59,604
Intergovernmental . . . . .	212,062	833,819	21,873	220,391	1,288,145
Investment income . . . . .	59,513	16,151	3,301	8,476	87,441
Other . . . . .	55,475	20,142	-	50,750	126,367
<b>Total revenues . . . . .</b>	<b>4,354,187</b>	<b>1,511,535</b>	<b>820,832</b>	<b>383,817</b>	<b>7,070,371</b>
<b>Expenditures:</b>					
Current:					
General government . . . . .	1,420,620	-	-	16,971	1,437,591
Security of persons and property . . . . .	2,546,471	-	585,259	243,901	3,375,631
Public health and welfare . . . . .	59,578	-	-	32,965	92,543
Leisure time activity . . . . .	-	-	-	76,832	76,832
Community environment . . . . .	89,153	-	-	-	89,153
Transportation . . . . .	-	666,159	-	35,660	701,819
Capital outlay . . . . .	82,717	901,311	157,975	22,365	1,164,368
Debt service:					
Principal retirement . . . . .	62,778	20,356	30,011	103,868	217,013
Interest and fiscal charges . . . . .	8,117	3,069	2,569	11,412	25,167
<b>Total expenditures . . . . .</b>	<b>4,269,434</b>	<b>1,590,895</b>	<b>775,814</b>	<b>543,974</b>	<b>7,180,117</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	84,753	(79,360)	45,018	(160,157)	(109,746)
<b>Other financing sources (uses):</b>					
Bond issuance . . . . .	-	106,555	-	-	106,555
Transfers in . . . . .	-	-	-	68,500	68,500
Transfers (out) . . . . .	(68,500)	-	-	-	(68,500)
<b>Total other financing sources (uses) . . . . .</b>	<b>(68,500)</b>	<b>106,555</b>	<b>-</b>	<b>68,500</b>	<b>106,555</b>
Net change in fund balances . . . . .	16,253	27,195	45,018	(91,657)	(3,191)
<b>Fund balances at beginning of year . . . . .</b>	<b>1,177,448</b>	<b>911,497</b>	<b>150,864</b>	<b>1,026,441</b>	<b>3,266,250</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 1,193,701</b>	<b>\$ 938,692</b>	<b>\$ 195,882</b>	<b>\$ 934,784</b>	<b>\$ 3,263,059</b>

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, 2019

<b>Net change in fund balances - total governmental funds</b>	\$	(3,191)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.		
Capital asset additions	\$ 1,164,369	
Current year depreciation	(790,931)	
Total	373,438	373,438
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(13,766)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(13,679)	
Real and other taxes	(40,505)	
Special assessments	(1,794)	
Charges for services	(801)	
Intergovernmental revenues	121,749	
Other	(512)	
Total	64,458	64,458
Proceeds of bonds are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(106,555)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		217,013
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.		
		177
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	465,480	
OPEB	9,386	
Total	474,866	474,866
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	(1,109,126)	
OPEB	2,189,734	
Total	1,080,608	1,080,608
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.		
		(8,769)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>2,078,279</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes . . . . .	\$ 3,340,000	\$ 3,340,000	\$ 3,568,217	\$ 228,217
Special assessments . . . . .	2,000	2,000	1,471	(529)
Charges for services. . . . .	485,900	485,900	276,608	(209,292)
Licenses and permits . . . . .	88,385	88,385	155,653	67,268
Fines and forfeitures . . . . .	45,100	45,100	56,347	11,247
Intergovernmental. . . . .	86,598	138,910	203,490	64,580
Investment income . . . . .	54,485	54,485	59,513	5,028
Other . . . . .	7,796	7,796	17,838	10,042
Total revenues . . . . .	<u>4,110,264</u>	<u>4,162,576</u>	<u>4,339,137</u>	<u>176,561</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,516,558	1,609,808	1,494,615	115,193
Security of persons and property . . . . .	2,637,143	2,696,342	2,656,026	40,316
Public health and welfare. . . . .	60,150	60,150	64,083	(3,933)
Community environment . . . . .	99,131	99,132	88,936	10,196
Capital outlay. . . . .	83,494	83,494	82,717	777
Debt service:				
Principal retirement. . . . .	62,800	62,800	62,778	22
Interest and fiscal charges . . . . .	8,200	8,200	8,117	83
Total expenditures . . . . .	<u>4,467,476</u>	<u>4,619,926</u>	<u>4,457,272</u>	<u>162,654</u>
Excess of expenditures over revenues. . . . .	<u>(357,212)</u>	<u>(457,350)</u>	<u>(118,135)</u>	<u>339,215</u>
<b>Other financing sources (uses):</b>				
Transfers (out). . . . .	(68,500)	(69,255)	(69,255)	-
Other financing sources . . . . .	350	350	34,567	34,217
Total other financing sources (uses) . . . . .	<u>(68,150)</u>	<u>(68,905)</u>	<u>(34,688)</u>	<u>34,217</u>
Net change in fund balances . . . . .	(425,362)	(526,255)	(152,823)	373,432
<b>Fund balances at beginning of year . . . . .</b>	491,795	491,795	491,795	-
<b>Prior year encumbrances appropriated . . . . .</b>	181,481	181,481	181,481	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 247,914</u>	<u>\$ 147,021</u>	<u>\$ 520,453</u>	<u>\$ 373,432</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, 2019

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Real and other taxes. . . . .	\$ 553,764	\$ 553,764	\$ 547,343	\$ (6,421)
Other local taxes. . . . .	68,000	68,000	64,009	(3,991)
Intergovernmental. . . . .	446,380	671,306	805,786	134,480
Investment income. . . . .	13,200	13,200	16,151	2,951
Other. . . . .	500	500	790	290
Total revenues. . . . .	<u>1,081,844</u>	<u>1,306,770</u>	<u>1,434,079</u>	<u>127,309</u>
<b>Expenditures:</b>				
Current:				
Transportation . . . . .	816,406	855,906	700,691	155,215
Capital outlay . . . . .	891,908	962,538	961,786	752
Debt service:				
Principal retirement. . . . .	-	20,500	20,357	143
Interest and fiscal charges . . . . .	-	3,100	3,068	32
Total expenditures . . . . .	<u>1,708,314</u>	<u>1,842,044</u>	<u>1,685,902</u>	<u>156,142</u>
Excess of expenditures over revenues. . . . .	<u>(626,470)</u>	<u>(535,274)</u>	<u>(251,823)</u>	<u>283,451</u>
<b>Other financing sources:</b>				
Bond issuance . . . . .	106,555	106,555	106,555	-
Sale of capital assets. . . . .	-	-	1,305	1,305
Other financing sources . . . . .	-	-	18,047	18,047
Total other financing sources. . . . .	<u>106,555</u>	<u>106,555</u>	<u>125,907</u>	<u>19,352</u>
Net change in fund balances . . . . .	(519,915)	(428,719)	(125,916)	302,803
<b>Fund balances at beginning of year . . . . .</b>	696,753	696,753	696,753	-
<b>Prior year encumbrances appropriated . . . . .</b>	125,689	125,689	125,689	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 302,527</u>	<u>\$ 393,723</u>	<u>\$ 696,526</u>	<u>\$ 302,803</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Real and other taxes . . . . .	\$ 780,484	\$ 780,484	\$ 754,658	\$ (25,826)
Intergovernmental . . . . .	-	-	21,873	21,873
Investment income . . . . .	-	-	3,301	3,301
Total revenues . . . . .	<u>780,484</u>	<u>780,484</u>	<u>779,832</u>	<u>(652)</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property . . . . .	668,250	668,250	609,290	58,960
Capital outlay . . . . .	167,230	167,230	157,975	9,255
Debt service:				
Principal retirement . . . . .	30,011	30,011	30,011	-
Interest and fiscal charges . . . . .	2,569	2,569	2,569	-
Total expenditures . . . . .	<u>868,060</u>	<u>868,060</u>	<u>799,845</u>	<u>68,215</u>
Net change in fund balances . . . . .	(87,576)	(87,576)	(20,013)	67,563
Fund balances at beginning of year . . . . .	78,740	78,740	78,740	-
Prior year encumbrances appropriated . . . . .	25,276	25,276	25,276	-
Fund balance at end of year . . . . .	<u>\$ 16,440</u>	<u>\$ 16,440</u>	<u>\$ 84,003</u>	<u>\$ 67,563</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



CITY OF CANFIELD, OHIO

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2019

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm</b>	<b>Total</b>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents . . .	\$ 600,380	\$ 1,123,093	\$ 504,979	\$ 2,228,452
Receivables:				
Accounts . . . . .	561,314	363,642	123,409	1,048,365
Prepayments . . . . .	17,038	8,018	1,650	26,706
Total current assets . . . . .	<u>1,178,732</u>	<u>1,494,753</u>	<u>630,038</u>	<u>3,303,523</u>
Noncurrent assets:				
Net pension asset . . . . .	3,091	3,276	516	6,883
Capital assets:				
Land and construction in progress . . . . .	1,000	-	104,497	105,497
Depreciable capital assets, net . . . . .	4,617,099	3,207,162	5,478,072	13,302,333
Total capital assets, net . . . . .	<u>4,618,099</u>	<u>3,207,162</u>	<u>5,582,569</u>	<u>13,407,830</u>
Total noncurrent assets . . . . .	<u>4,621,190</u>	<u>3,210,438</u>	<u>5,583,085</u>	<u>13,414,713</u>
Total assets . . . . .	<u>5,799,922</u>	<u>4,705,191</u>	<u>6,213,123</u>	<u>16,718,236</u>
<b>Deferred outflows of resources:</b>				
Pension . . . . .	131,045	137,114	17,817	285,976
OPEB . . . . .	30,236	31,011	2,295	63,542
Total deferred outflows of resources . . . . .	<u>161,281</u>	<u>168,125</u>	<u>20,112</u>	<u>349,518</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable . . . . .	131	30	5,178	5,339
Accrued wages payable . . . . .	10,783	10,545	1,469	22,797
Due to other governments . . . . .	4,100	91,040	545	95,685
Compensated absences payable - current . . . . .	12,277	13,469	3,060	28,806
Deposits held and due to others . . . . .	334	-	-	334
OPWC loans payable . . . . .	7,047	20,583	10,759	38,389
Total current liabilities . . . . .	<u>34,672</u>	<u>135,667</u>	<u>21,011</u>	<u>191,350</u>
Long-term liabilities:				
OPWC loans payable . . . . .	366,419	119,635	190,760	676,814
Net pension liability . . . . .	336,369	356,478	56,163	749,010
Net OPEB liability . . . . .	165,520	175,415	27,637	368,572
Total long-term liabilities . . . . .	<u>868,308</u>	<u>651,528</u>	<u>274,560</u>	<u>1,794,396</u>
Total liabilities . . . . .	<u>902,980</u>	<u>787,195</u>	<u>295,571</u>	<u>1,985,746</u>
<b>Deferred inflows of resources:</b>				
Pension . . . . .	19,961	11,880	1,448	33,289
OPEB . . . . .	11,227	4,827	498	16,552
Total deferred inflows of resources . . . . .	<u>31,188</u>	<u>16,707</u>	<u>1,946</u>	<u>49,841</u>
<b>Net position:</b>				
Net investment in capital assets . . . . .	4,244,633	3,066,944	5,381,050	12,692,627
Unrestricted . . . . .	782,402	1,002,470	554,668	2,339,540
Total net position . . . . .	<u>\$ 5,027,035</u>	<u>\$ 4,069,414</u>	<u>\$ 5,935,718</u>	<u>\$ 15,032,167</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, 2019

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm</b>	<b>Total</b>
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 1,969,310	\$ 1,337,381	\$ 334,852	\$ 3,641,543
Other operating revenues . . . . .	3,650	-	1,419	5,069
Total operating revenues. . . . .	<u>1,972,960</u>	<u>1,337,381</u>	<u>336,271</u>	<u>3,646,612</u>
<b>Operating expenses:</b>				
Personal services . . . . .	364,004	394,993	54,159	813,156
Contract services . . . . .	1,426,380	1,223,541	81,674	2,731,595
Materials and supplies. . . . .	76,796	14,582	21,621	112,999
Depreciation. . . . .	200,398	153,236	172,310	525,944
Total operating expenses. . . . .	<u>2,067,578</u>	<u>1,786,352</u>	<u>329,764</u>	<u>4,183,694</u>
Operating income (loss) . . . . .	<u>(94,618)</u>	<u>(448,971)</u>	<u>6,507</u>	<u>(537,082)</u>
<b>Nonoperating revenues (expenses):</b>				
Loss on disposal of capital assets . . . . .	(641,306)	-	-	(641,306)
Intergovernmental . . . . .	4,184	3,212	425	7,821
Total nonoperating revenues (expenses) . . . . .	<u>(637,122)</u>	<u>3,212</u>	<u>425</u>	<u>(633,485)</u>
Change in net position . . . . .	<u>(731,740)</u>	<u>(445,759)</u>	<u>6,932</u>	<u>(1,170,567)</u>
<b>Net position at beginning of year. . . . .</b>	<u>5,758,775</u>	<u>4,515,173</u>	<u>5,928,786</u>	<u>16,202,734</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 5,027,035</u>	<u>\$ 4,069,414</u>	<u>\$ 5,935,718</u>	<u>\$ 15,032,167</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, 2019

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from sales/charges for services. . . . .	\$ 1,895,608	\$ 1,229,424	\$ 259,026	\$ 3,384,058
Cash received from other operations . . . . .	5,150	-	1,419	6,569
Cash payments for personal services. . . . .	(298,420)	(314,612)	(42,377)	(655,409)
Cash payments for contractual services . . . . .	(1,543,405)	(1,139,999)	(76,706)	(2,760,110)
Cash payments for materials and supplies. . . . .	<u>(76,669)</u>	<u>(14,626)</u>	<u>(21,747)</u>	<u>(113,042)</u>
Net cash provided by (used in) operating activities . . . . .	<u>(17,736)</u>	<u>(239,813)</u>	<u>119,615</u>	<u>(137,934)</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from grants and subsidies. . . . .	<u>4,184</u>	<u>3,212</u>	<u>425</u>	<u>7,821</u>
Net cash provided by noncapital financing activities .	<u>4,184</u>	<u>3,212</u>	<u>425</u>	<u>7,821</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets. . . . .	(88,027)	(29,980)	(103,106)	(221,113)
Principal retirement on OPWC loans . . . . .	<u>(14,093)</u>	<u>(41,166)</u>	<u>(21,518)</u>	<u>(76,777)</u>
Net cash used in capital and related financing activities. . . . .	<u>(102,120)</u>	<u>(71,146)</u>	<u>(124,624)</u>	<u>(297,890)</u>
Net increase (decrease) in cash and cash equivalents . .	(115,672)	(307,747)	(4,584)	(428,003)
<b>Cash and cash equivalents at beginning of year (restated). . . . .</b>	<u>716,052</u>	<u>1,430,840</u>	<u>509,563</u>	<u>2,656,455</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 600,380</u></u>	<u><u>\$ 1,123,093</u></u>	<u><u>\$ 504,979</u></u>	<u><u>\$ 2,228,452</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss) . . . . .	\$ (94,618)	\$ (448,971)	\$ 6,507	\$ (537,082)
Adjustments:				
Depreciation . . . . .	200,398	153,236	172,310	525,944
Changes in assets and liabilities:				
(Increase) in accounts receivable . . . . .	(73,702)	(43,904)	(75,826)	(193,432)
Decrease in due from other governments. . . . .	81	-	-	81
(Increase) decrease in prepayments. . . . .	268	(310)	176	134
Decrease in net pension asset . . . . .	141	193	141	475
(Increase) in deferred outflows - pension . . . . .	(86,102)	(91,791)	(8,402)	(186,295)
(Increase) in deferred outflows - OPEB . . . . .	(21,716)	(21,865)	(562)	(44,143)
Increase (decrease) in accounts payable. . . . .	(241)	(9,275)	4,781	(4,735)
Increase (decrease) in accrued wages payable. . . . .	2,593	2,437	(55)	4,975
Increase (decrease) in intergovernmental payable . .	(108,906)	30,612	88	(78,206)
(Decrease) in deposits held and due to others. . . .	(5,336)	-	-	(5,336)
Increase in compensated absences payable . . . . .	897	2,684	560	4,141
Increase in net pension liability . . . . .	180,646	189,315	24,484	394,445
Increase in net OPEB liability . . . . .	52,961	54,588	4,739	112,288
(Decrease) in deferred inflows - pension. . . . .	(47,291)	(44,251)	(7,307)	(98,849)
(Decrease) in deferred inflows - OPEB . . . . .	<u>(17,809)</u>	<u>(12,511)</u>	<u>(2,019)</u>	<u>(32,339)</u>
Net cash provided by (used in) operating activities. . .	<u><u>\$ (17,736)</u></u>	<u><u>\$ (239,813)</u></u>	<u><u>\$ 119,615</u></u>	<u><u>\$ (137,934)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2019

	<b>Private-Purpose Trust</b>	<b>Custodial</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 27,855	\$ 1,678
Receivables:		
Income taxes . . . . .	-	2,653
	27,855	\$ 4,331
<b>Total assets</b> . . . . .	<b>27,855</b>	<b>\$ 4,331</b>
<b>Liabilities:</b>		
Intergovernmental payable. . . . .	-	\$ 4,331
	-	\$ 4,331
<b>Total liabilities.</b> . . . . .	<b>-</b>	<b>\$ 4,331</b>
<b>Net position:</b>		
Held in trust for other purposes. . . . .	27,855	
	27,855	
<b>Total net position.</b> . . . . .	<b>\$ 27,855</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<b>Private-Purpose Trust</b>	<b>Custodial</b>
<b>Additions:</b>		
Fines and forfeitures collected for other governments.	\$ -	\$ 13,532
Income taxes collected as fiscal agent. . . . .	-	26,557
Total additions . . . . .	-	40,089
<b>Deductions:</b>		
Administrative expenses . . . . .	-	382
Fines and forfeitures remitted to other governments. .	-	13,532
Income taxes distributed as fiscal agent. . . . .	-	26,175
Total deductions. . . . .	-	40,089
Change in net position . . . . .	-	-
<b>Net position at beginning of year (restated). . . . .</b>	<b>27,855</b>	<b>-</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 27,855</b>	<b>-</b>

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, 2019

#### 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, 2019

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

The City is associated with two organizations which are defined as a jointly governed organization. The Canfield Community Joint Economic District was established during 2015. The Millennial Moments Joint Economic District was established during 2019. 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, 2019

**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 custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. The City's only trust fund is a private-purpose trust fund. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City has two custodial funds. The City's custodial funds primarily account for the mayor's court and a JEDD agreement with Canfield Township.

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, 2019

#### 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.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds and private purpose trust funds.

##### 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 fiduciary 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, 2019

**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, 2019, but which were levied to finance 2020 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, 2019

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, 2019

#### 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 2019, 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 2019, 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 2019 amounted to \$59,513, which included \$46,474 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, 2019

**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, 2019

**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**

Receivables and payables for services provided by one fund to another fund are classified as "due to/from other funds." 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, 2019, 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, 2019

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, 2019**

**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 2019.

**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 2019.

**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, 2019

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2019, the City has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations", GASB Statement No. 84, "Fiduciary Activities", GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the City.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental or proprietary funds. These fund reclassifications resulted in the restatement of the City's financial statements.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the City.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the City.

**B. Restatement of Cash and Cash Equivalents**

The implementation of the GASB 84 pronouncement had the following effect on the cash and cash equivalents in the enterprise funds as reported at December 31, 2018:

	Water Fund	Sewer Fund	Storm Fund	Total Enterprise Funds
Cash and cash equivalents as previously reported	\$ 710,382	\$ 1,430,840	\$ 509,563	\$ 2,650,785
GASB Statement No. 84	5,670	-	-	5,670
Restated cash and cash equivalents at December 31, 2018	\$ 716,052	\$ 1,430,840	\$ 509,563	\$ 2,656,455

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of \$0. Also, related to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. At December 31, 2018, agency funds reported assets and liabilities of \$42,665.

**C. Deficit Fund Balance**

Fund balances at December 31, 2019 included the following individual fund deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
OVI Task Force Grant - Fiscal Year 2020	\$ 19,697

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

**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, and Government National Mortgage 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;

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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 deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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. Except as noted above, 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, 2019, the carrying amount of all City deposits was (\$3,084), and the bank balance of all City deposits was \$348,155. Of the bank balance, \$250,382 was covered by the FDIC and \$97,773 was covered by the Ohio Pooled Collateral System (OPCS). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the City's bank accounts.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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 2019, 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.

**C. Investments**

As of December 31, 2019, 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	\$ 4,895,080	\$ 4,895,080
<i>Amortized cost:</i>		
STAR Ohio	2,048	2,048
Total	\$ 4,897,128	\$ 4,897,128

*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 \$4,895,080 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.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

*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, 2019:

<u>Investment type</u>	Measurement	
	<u>Value</u>	<u>% to Total</u>
Repurchase agreement	\$ 4,895,080	99.96%
STAR Ohio	<u>2,048</u>	<u>0.04%</u>
Total	<u>\$ 4,897,128</u>	<u>100.00%</u>

**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, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (3,084)
Investments	4,897,128
Cash on hand	<u>1,710</u>
Total	<u>\$ 4,895,754</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,637,769
Business type activities	2,228,452
Private purpose trust funds	27,855
Custodial funds	<u>1,678</u>
Total	<u>\$ 4,895,754</u>

**NOTE 5 - INTERFUNDS**

A. Interfund transfers for the year ended December 31, 2019, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to parks fund from general fund	\$ 52,500
Transfers to cemeteries fund from general fund	10,000
Transfers to recreation fund from general fund	<u>6,000</u>
Total transfers to nonmajor governmental funds from the General fund	<u>\$ 68,500</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.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 5 - INTERFUNDS – (Continued)**

**B.** Due to/from other funds at December 31, 2019, 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 grant - fiscal year 2020	<u>\$ 36,354</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 grant – fiscal year 2019 nonmajor governmental special revenue fund. The interfund balance will be repaid once the anticipated revenues are received.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 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, 2019 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 2019 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, 2019 was \$6.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2019 property tax receipts were based are as follows:

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

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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.

*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, 2019, 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, 2019.

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

**Governmental Activities:**

Income taxes	\$ 925,825
Real and other taxes	1,409,977
Accounts	131,076
Special assessments	52,693
Due from other governments	445,080

**Business-type Activities:**

Accounts	1,048,365
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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, 2019

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended December 31, 2019, was as follows:

<u>Governmental Activities:</u>	Balance 01/01/2019	Additions	Disposals	Balance 12/31/2019
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,383,608	\$ -	\$ -	\$ 2,383,608
Construction in progress	511,569	503,802	(511,569)	503,802
Total capital assets, not being depreciated	<u>2,895,177</u>	<u>503,802</u>	<u>(511,569)</u>	<u>2,887,410</u>
<i>Capital assets, being depreciated:</i>				
Buildings	3,796,718	-	-	3,796,718
Land improvements	39,290	-	-	39,290
Equipment	2,517,103	520,248	(141,649)	2,895,702
Infrastructure	20,196,300	651,888	(1,223)	20,846,965
Total capital assets, being depreciated	<u>26,549,411</u>	<u>1,172,136</u>	<u>(142,872)</u>	<u>27,578,675</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(2,314,469)	(75,280)	-	(2,389,749)
Land improvements	(39,290)	-	-	(39,290)
Equipment	(1,102,008)	(235,345)	128,821	(1,208,532)
Infrastructure	(8,676,561)	(480,306)	285	(9,156,582)
Total accumulated depreciation	<u>(12,132,328)</u>	<u>(790,931)</u>	<u>129,106</u>	<u>(12,794,153)</u>
Total capital assets, being depreciated, net	<u>14,417,083</u>	<u>381,205</u>	<u>(13,766)</u>	<u>14,784,522</u>
Governmental activities capital assets, net	<u>\$ 17,312,260</u>	<u>\$ 885,007</u>	<u>\$ (525,335)</u>	<u>\$ 17,671,932</u>

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

<b><u>Governmental activities:</u></b>	
General Government	\$ 68,072
Security of Persons and Property	161,804
Public Health and Welfare	5,007
Leisure Time Activities	15,077
Community Environment	1,234
Transportation	<u>539,737</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 790,931</u>

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Capital asset activity for business-type activities for the year ended December 31, 2019, was as follows:

<b><u>Business-type Activities:</u></b>	Balance 1/1/2019	Additions	Disposals	Balance 12/31/2019
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,297	\$ -	\$ -	\$ 21,297
Construction in progress	144,772	84,200	(144,772)	84,200
Total capital assets, not being depreciated	<u>166,069</u>	<u>84,200</u>	<u>(144,772)</u>	<u>105,497</u>
<i>Capital assets, being depreciated:</i>				
Buildings	1,924,526	-	-	1,924,526
Equipment	401,987	118,546	-	520,533
Infrastructure	24,759,749	163,138	(1,029,222)	23,893,665
Total capital assets, being depreciated	<u>27,086,262</u>	<u>281,684</u>	<u>(1,029,222)</u>	<u>26,338,724</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(929,408)	(46,472)	-	(975,880)
Equipment	(276,681)	(31,914)	-	(308,595)
Infrastructure	(11,692,275)	(447,558)	387,917	(11,751,916)
Total accumulated depreciation	<u>(12,898,364)</u>	<u>(525,944)</u>	<u>387,917</u>	<u>(13,036,391)</u>
Total capital assets, being depreciated, net	<u>14,187,898</u>	<u>(244,260)</u>	<u>(641,305)</u>	<u>13,302,333</u>
Business-type activities capital assets, net	<u>\$ 14,353,967</u>	<u>\$ (160,060)</u>	<u>\$ (786,077)</u>	<u>\$ 13,407,830</u>

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

<b><u>Business-type activities:</u></b>	
Water	\$ 200,398
Sewer	153,236
Storm	172,310
Total depreciation expense - business-type activities	<u>\$ 525,944</u>

**NOTE 10 - EMPLOYEE BENEFITS**

**A. Health/Life Insurance**

The City offers employees health and life insurance benefits through Anthem. The City uses a PPO provider network.

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 employee's salaries. During 2019, all employees with health coverage paid 12% of the premium paid by the City for their health insurance.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 10 - EMPLOYEE BENEFITS - (Continued)**

**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, 2019, the liability for unpaid compensated absences was \$221,490 for the entire City.

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During 2019, the following activity occurred in governmental activities long-term obligations.

<b>Governmental Activities:</b>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Balance 01/01/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2019</u>	<u>Amounts Due in One Year</u>
<u>General Obligation Notes (direct borrowings):</u>							
Red Gate Land Acquisition	2015	2.92%	\$ 335,303	\$ -	\$ (70,719)	\$ 264,584	\$ 72,813
Police Department Addition	2015	2.92%	297,653	-	(62,778)	234,875	64,638
Radio & Equipment	2017	2.17%	124,087	-	(30,011)	94,076	30,670
Total General Obligation Notes			<u>757,043</u>	<u>-</u>	<u>(163,508)</u>	<u>593,535</u>	<u>168,121</u>
<u>Special Assessment Note (direct borrowing):</u>							
Kings Lake Street Lights	2016	2.39%	101,884	-	(33,149)	68,735	33,952
<u>Bond (direct borrowing):</u>							
Vehicle Acquisition	2019	3.73%	-	106,555	(20,356)	86,199	20,348
<u>Other Long-Term Obligations:</u>							
Net Pension Liability			4,246,665	2,341,141	-	6,587,806	-
Net OPEB Liability			3,676,547	263,417	(2,321,136)	1,618,828	-
Compensated Absences			183,915	195,420	(186,651)	192,684	192,684
Total Long-Term Obligations			<u>8,107,127</u>	<u>2,799,978</u>	<u>(2,507,787)</u>	<u>8,399,318</u>	<u>192,684</u>
Total Governmental Activities Long-Term Obligations			<u>\$ 8,966,054</u>	<u>\$ 2,906,533</u>	<u>\$(2,724,800)</u>	<u>\$ 9,147,787</u>	<u>\$ 415,105</u>

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

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.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

These general obligation notes are considered direct borrowings that have terms negotiated directly between the City and the creditors and are not offered for public sale. In the event of default, the creditor may declare the full amount of the then unpaid original note amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

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.

This special assessment note is considered a direct borrowing that has terms negotiated directly between the City and the creditor and are not offered for public sale. In the event of default, the creditor may declare the full amount of the then unpaid original note amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

Vehicle Acquisition Bond: On February 8, 2019, the City issued a vehicle acquisition bond in the amount of \$106,555 for the purpose of acquiring and equipping a utility bucket truck. The bond has an interest rate of 3.73% and matures on December 1<sup>st</sup>, 2023. Principal and interest related to this bond will be paid from the Street Construction, Maintenance, & Repair fund.

This vehicle acquisition bond is considered a direct borrowing that has terms negotiated directly between the City and the creditor and are not offered for public sale. In the event of default, the creditor may declare the full amount of the then unpaid original bond amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

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			Vehicle Acquisition Bond		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 168,121	\$ 15,217	\$ 183,338	\$ 33,952	\$ 1,465	\$ 35,417	\$ 20,348	\$ 3,078	\$ 23,426
2021	172,963	10,374	183,337	34,783	633	35,416	21,133	2,292	23,425
2022	177,897	5,440	183,337	-	-	-	21,940	1,485	23,425
2023	74,554	824	75,378	-	-	-	22,778	647	23,425
Total	\$ 593,535	\$ 31,855	\$ 625,390	\$ 68,735	\$ 2,098	\$ 70,833	\$ 86,199	\$ 7,502	\$ 93,701

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

**B.** During 2019, the following activity occurred in the City’s business-type long-term liabilities.

<b>Business-Type Activities</b>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Balance 1/1/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2019</u>	<u>Amounts Due in One Year</u>
<u>OPWC Loans (direct borrowings):</u>							
Sawmill Sanitary Main Replacement	2002	0.00%	\$ 54,034	\$ -	\$ (18,011)	\$ 36,023	\$ 9,006
Sawmill Sanitary Main Lining	2003	0.00%	127,350	-	(23,155)	104,195	11,577
Water Transmission Line Rehabilitation and Replacement	2015	0.00%	387,559	-	(14,093)	373,466	7,047
Court St. Arena Storm Water Improvement	2000	0.00%	28,637	-	(14,318)	14,319	7,159
Fairview Dr. Storm Water Management	2015	0.00%	194,400	-	(7,200)	187,200	3,600
<b>Total OPWC Loans</b>			<u>791,980</u>	<u>-</u>	<u>(76,777)</u>	<u>715,203</u>	<u>38,389</u>
<u>Other Long-Term Obligations:</u>							
Net pension liability			354,565	394,445	-	749,010	-
Net OPEB liability			256,284	112,288	-	368,572	-
Compensated absences			24,665	33,580	(29,439)	28,806	28,806
<b>Total Other Long-Term Obligations</b>			<u>635,514</u>	<u>540,313</u>	<u>(29,439)</u>	<u>1,146,388</u>	<u>28,806</u>
<b>Total business-type activities long-term obligations</b>			<u>\$ 1,427,494</u>	<u>\$ 540,313</u>	<u>\$ (106,216)</u>	<u>\$ 1,861,591</u>	<u>\$ 67,195</u>

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

OPWC loans are direct borrowings that have terms negotiated directly between the City and the OPWC and are not offered for public sale. In the event of default, the OPWC may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

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.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

<u>Year Ending December 31,</u>	<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 38,389	\$ -	\$ 38,389
2021	100,849	-	100,849
2022	44,449	-	44,449
2023	44,447	-	44,447
2024	32,870	-	32,870
2025 - 2029	106,465	-	106,465
2030 - 2034	106,465	-	106,465
2035 - 2039	106,466	-	106,466
2040 - 2044	106,465	-	106,465
2045 - 2046	28,338	-	28,338
Total	<u>\$ 715,203</u>	<u>\$ -</u>	<u>\$ 715,203</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, 2019, the City's total debt margin was \$21,611,170 and the unvoted debt margin was \$11,025,443.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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 2019, 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, 2019

**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.

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

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

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

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

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



**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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 3.00%.

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 1.00% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee ***	10.0 %
<b>2019 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits ****	0.0 %
Total Employer	14.0 %
Employee	10.0 %

\*\*\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance

\*\*\*\* This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

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 \$251,019 for 2019. Of this amount, \$20,725 is reported as due to other governments.

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

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

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

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

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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 OP&F 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 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% 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
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	19.50 %
Employee	12.25 %
<b>2019 Actual Contribution Rates</b>	
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 \$275,667 for 2019. Of this amount, \$22,371 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, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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, 2019

**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&amp;F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.01001700%	0.02366900%	0.01123600%	0.04936500%	
Proportion of the net pension liability/asset current measurement date	<u>0.01121600%</u>	<u>0.02503100%</u>	<u>0.01044500%</u>	<u>0.05225000%</u>	
Change in proportionate share	<u>0.00119900%</u>	<u>0.00136200%</u>	<u>-0.00079100%</u>	<u>0.00288500%</u>	
Proportionate share of the net pension liability	\$ 3,071,835	\$ -	\$ -	\$ 4,264,981	\$ 7,336,816
Proportionate share of the net pension asset	-	(27,990)	(238)	-	(28,228)
Pension expense	699,125	7,767	(62)	573,278	1,280,108

At December 31, 2019, 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&amp;F</u>	<u>Total</u>
<b>Deferred outflows of resources</b>					
Differences between expected and actual experience	\$ 142	\$ -	\$ 991	\$ 175,229	\$ 176,362
Net difference between projected and actual earnings on pension plan investments	416,934	6,033	81	525,441	948,489
Changes of assumptions	267,411	6,250	73	113,070	386,804
Changes in employer's proportionate percentage/difference between employer contributions	138,595	-	-	240,570	379,165
Contributions subsequent to the measurement date	235,339	8,634	7,046	275,667	526,686
Total deferred outflows of resources	<u>\$ 1,058,421</u>	<u>\$ 20,917</u>	<u>\$ 8,191</u>	<u>\$ 1,329,977</u>	<u>\$ 2,417,506</u>

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
<b>Deferred inflows of resources</b>					
Differences between expected and actual experience	\$ 40,335	\$ 11,431	\$ -	\$ 3,981	\$ 55,747
Changes in employer's proportionate percentage/ difference between employer contributions	39,734	-	-	166,677	206,411
Total deferred inflows of resources	<u>\$ 80,069</u>	<u>\$ 11,431</u>	<u>\$ -</u>	<u>\$ 170,658</u>	<u>\$ 262,158</u>

\$526,686 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, 2020.

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:					
2020	\$ 310,650	\$ 945	\$ 167	\$ 258,207	\$ 569,969
2021	199,780	(257)	152	143,396	343,071
2022	38,678	(131)	153	165,869	204,569
2023	193,905	1,754	185	291,270	487,114
2024	-	(721)	142	24,910	24,331
Thereafter	-	(738)	346	-	(392)
Total	<u>\$ 743,013</u>	<u>\$ 852</u>	<u>\$ 1,145</u>	<u>\$ 883,652</u>	<u>\$ 1,628,662</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, 2019

**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, 2018, 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	
Current measurement date	7.20%
Prior measurement date	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 expected 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 2018, 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 2.94% for 2018.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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 2018 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 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
<b>Total</b>	<b>100.00 %</b>	<b>5.95 %</b>

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. 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/Asset 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 7.20%, 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 (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 4,537,994	\$ 3,071,835	\$ 1,853,444
Combined Plan	(9,261)	(27,990)	(41,551)
Member-Directed Plan	(104)	(238)	(418)

**Actuarial Assumptions - OP&F**

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, 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.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below.

Valuation date	1/1/18 with actuarial liabilities rolled forward to 12/31/18
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%, plus productivity increase rate of 0.50%
Cost of living adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

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

<u>Age</u>	<u>Police</u>
67 or less	77%
68-77	105%
78 and up	115%

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 Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>
59 or less	35%
60-69	60%
70-79	75%
80 and up	100%

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 OP&F's Board and were effective beginning with the January 1, 2018 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, 2019

**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 OP&F's target asset allocation as of December 31, 2018 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	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation			
Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	<u>120.00 %</u>		

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%. 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	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 5,606,023	\$ 4,264,981	\$ 3,144,346

## CITY OF CANFIELD, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

#### NOTE 14 - DEFINED BENEFIT OPEB PLANS

##### *Net OPEB Liability*

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

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

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

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

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

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

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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, 2019

**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. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. 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. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined 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 2019 was 4.00%.

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

The City's contractually required contribution was \$2,819 for 2019. Of this amount, \$233 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.

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.

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% 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 2019, the portion of employer contributions allocated to health care was 0.50% 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 changed 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 \$7,254 for 2019. Of this amount, \$589 is reported as due to other governments.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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, 2017, rolled forward to the measurement date of December 31, 2018, 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, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.01046000%	0.04936500%	
Proportion of the net OPEB liability current measurement date	<u>0.01159400%</u>	<u>0.05225000%</u>	
Change in proportionate share	<u>0.00113400%</u>	<u>0.00288500%</u>	
Proportionate share of the net OPEB liability	\$ 1,511,584	\$ 475,816	\$ 1,987,400
OPEB expense	\$ 152,605	\$ (2,305,845)	\$ (2,153,240)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 512	\$ -	\$ 512
Net difference between projected and actual earnings on OPEB plan investments	69,296	16,108	85,404
Changes of assumptions	48,736	246,640	295,376
Changes in employer's proportionate percentage/difference between employer contributions	82,363	218,667	301,030
Contributions subsequent to the measurement date	2,819	7,254	10,073
Total deferred outflows of resources	<u>\$ 203,726</u>	<u>\$ 488,669</u>	<u>\$ 692,395</u>

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 4,101	\$ 12,748	\$ 16,849
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Changes of assumptions	-	131,729	131,729
Changes in employer's proportionate percentage/ difference between employer contributions	30,188	-	30,188
Total deferred inflows of resources	<u>\$ 34,289</u>	<u>\$ 144,477</u>	<u>\$ 178,766</u>

\$10,073 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, 2020.

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Year Ending December 31:			
2020	\$ 67,088	\$ 57,764	\$ 124,852
2021	51,970	57,764	109,734
2022	12,652	57,766	70,418
2023	34,908	62,636	97,544
2024	-	54,958	54,958
Thereafter	-	46,050	46,050
Total	<u>\$ 166,618</u>	<u>\$ 336,938</u>	<u>\$ 503,556</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, 2019

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Projections of health care costs 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, 2017, rolled forward to the measurement date of December 31, 2018. 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%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.50%
Municipal Bond Rate	
Current measurement date	3.71%
Prior Measurement date	3.31%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.25% ultimate in 2029
Prior Measurement date	7.50%, initial 3.25%, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

During 2018, 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 5.60% for 2018.

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 2018 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 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

**Discount Rate** - A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. 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 6.00% and a municipal bond rate of 3.71%. 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.



**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***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 3.96%, 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 (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,933,879	\$ 1,511,584	\$ 1,175,748

***Sensitivity of the City/County'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 1.00% lower or 1.00% 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 2019 is 10.00%. 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% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,452,960	\$ 1,511,584	\$ 1,579,103

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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, 2019

**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, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single discount rate:	
Current measurement date	4.66%
Prior measurement date	3.24%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

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%.

<u>Age</u>	<u>Police</u>
67 or less	77%
68-77	105%
78 and up	115%

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.

<u>Age</u>	<u>Police</u>
59 or less	35%
60-69	60%
70-79	75%
80 and up	100%

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

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.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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, 2018, 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	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation			
Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	<u>120.00 %</u>		

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 their 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 OPEB liability was calculated using the discount rate of 4.66%. A discount rate of 3.24% was used to measure the total OPEB liability at December 31, 2017. 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 8.00%. 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 4.13% at December 31, 2018 and 3.16% at December 31, 2017, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 4.66%.

**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 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66%), or one percentage point higher (5.66%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 579,674	\$ 475,816	\$ 388,637

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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* - Due to the change from a self-funded plan to the stipend plan, disclosure of the healthcare cost trend rate for OP&F is no longer available.

*Changes Between Measurement Date and Report Date* - 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 will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). 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. As a result of changing from the current healthcare model to the stipend based healthcare model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Although the exact amount of these changes is not known, the overall decrease to the City's net OPEB liability is expected to be significant.

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

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

**Net Change in Fund Balance**

	<u>General</u>	Street Construction <u>Maintenance and Repair</u>	Police Department <u>Operating Levy</u>
Budget basis	\$ (152,823)	\$ (125,916)	\$ (20,013)
Net adjustment for revenue accruals	11,219	77,456	41,000
Net adjustment for expenditure accruals	(21,539)	(12,592)	(3,139)
Net adjustment for other sources/uses	(33,812)	(19,352)	-
Funds budgeted elsewhere	1,266	-	-
Adjustment for encumbrances	<u>211,942</u>	<u>107,599</u>	<u>27,170</u>
GAAP basis	<u>\$ 16,253</u>	<u>\$ 27,195</u>	<u>\$ 45,018</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, the subdivision escrow fund, the subdivision deposits 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 \$26,557 during 2019.

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 16 - JOINTLY GOVERNED ORGANIZATION - (Continued)**

Millennial Moments Joint Economic Development District (JEDD)

The City of Canfield has entered into a contractual agreement effective April 16, 2019 with Canfield Township for the purpose of facilitating economic development and redevelopment, to create or preserve jobs and employment opportunities, and to improve the economic welfare of the people in the State of Ohio and in the respective areas of the contracting parties. 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 is selected by the other four members. The municipal member and township member must be an elected official. The initial term of the agreement is for a period of twenty-five years from the effective date. The Board of Directors has entered into an agreement with the City of Canfield to administer, collect and enforce the income tax on behalf of the JEDD. In consideration of its services pertaining to income tax administration and collection, the City shall receive a service fee equal to one percent of gross income tax revenue based upon receipts. The City shall pay one percent of the gross income tax into escrow. Upon termination of the contractual agreement, any property, asset and obligations of the JEDD shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party. The JEDD had no activity during 2019.

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**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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	\$ 76,127	\$ 20,899	\$ 5,109	\$ 2,448	\$ 104,583
Unclaimed monies	6,579	-	-	-	6,579
Permanent fund	-	-	-	72,400	72,400
<b>Total nonspendable</b>	<u>82,706</u>	<u>20,899</u>	<u>5,109</u>	<u>74,848</u>	<u>183,562</u>
Restricted:					
Security of persons and property	-	-	190,773	93,820	284,593
Public health and welfare	-	-	-	4,354	4,354
Transportation	-	917,793	-	128,539	1,046,332
Capital outlay	-	-	-	4,828	4,828
Debt service	-	-	-	60,877	60,877
Permanent fund	-	-	-	104,107	104,107
<b>Total restricted</b>	<u>-</u>	<u>917,793</u>	<u>190,773</u>	<u>396,525</u>	<u>1,505,091</u>
Committed:					
General government	15,896	-	-	238,882	254,778
Community environment	-	-	-	244,226	244,226
<b>Total committed</b>	<u>15,896</u>	<u>-</u>	<u>-</u>	<u>483,108</u>	<u>499,004</u>
Assigned:					
General government	49,724	-	-	-	49,724
Security of persons and property	94,581	-	-	-	94,581
Community environment	3,607	-	-	-	3,607
Subsequent year appropriations	27,885	-	-	-	27,885
<b>Total assigned</b>	<u>175,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,797</u>
Unassigned (deficit)	919,302	-	-	(19,697)	899,605
<b>Total fund balances</b>	<u>\$ 1,193,701</u>	<u>\$ 938,692</u>	<u>\$ 195,882</u>	<u>\$ 934,784</u>	<u>\$ 3,263,059</u>

**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.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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	\$ 183,340
Street Construction, Maintenance and Repair	93,146
Police Department Operating Levy	20,429
Other Governmental	<u>117,735</u>
Total	<u>\$ 414,650</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, 2019.

**B. Litigation**

The City is party to two (2) legal proceedings. 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 proceedings are as follows:

City of Athens, et al v. Joseph Testa, Tax Commissioner, et al, Ohio Supreme Court Case No. 2019-696. The case is pending at the Ohio Supreme Court. The City of Canfield 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.

Cardinal Joint Fire District et al vs. Frank Kalan, Court of Appeals Seventh District Case No. 2019-MA-00051. The City is a plaintiff in this matter which stems from property nuisance violations of a property owner. The City, through the CJFD, had previously declared the subject residence as a nuisance subject to demolition. The common pleas court ruled in favor of the City and the Defendant appealed. Attorney David Comstock is representing the City in this matter. He can be reached for further information at 330-286-3701.



**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 20 - SUBSEQUENT EVENT**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of the losses that will be recognized in subsequent periods, if any, cannot be determined. In addition the impact on the City's future operating costs, revenue, and any recovery from emergency funding, either federal or state, cannot be estimate.

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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 SIX YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.011216%	0.010017%	0.010735%	0.011121%
City's proportionate share of the net pension liability	\$ 3,071,835	\$ 1,571,472	\$ 2,437,737	\$ 1,926,297
City's covered payroll	\$ 1,514,879	\$ 1,323,738	\$ 1,387,675	\$ 1,392,950
City's proportionate share of the net pension liability as a percentage of its covered payroll	202.78%	118.71%	175.67%	138.29%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.025031%	0.023669%	0.029751%	0.031320%
City's proportionate share of the net pension asset	\$ 27,990	\$ 32,221	\$ 16,557	\$ 15,241
City's covered payroll	\$ 107,057	\$ 96,938	\$ 115,808	\$ 113,283
City's proportionate share of the net pension asset as a percentage of its covered payroll	26.14%	33.24%	14.30%	13.45%
Plan fiduciary net position as a percentage of the total pension asset	126.64%	137.28%	116.55%	116.90%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.010445%	0.011236%	0.012497%	0.012233%
City's proportionate share of the net pension asset	\$ 238	\$ 392	\$ 52	\$ 47
City's covered payroll	\$ 59,710	\$ 61,580	\$ 64,874	\$ 86,063
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.40%	0.64%	0.08%	0.05%
Plan fiduciary net position as a percentage of the total pension asset	113.42%	124.46%	103.40%	103.91%

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

	<u>2015</u>	<u>2014</u>
	0.011088%	0.011088%
\$	1,337,337	\$ 1,307,131
\$	1,354,508	\$ 1,356,408
	98.73%	96.37%
	86.45%	86.36%
	0.032328%	0.032328%
\$	12,448	\$ 3,392
\$	118,167	\$ 107,700
	10.53%	3.15%
	114.83%	104.56%
	n/a	n/a
	n/a	n/a
	n/a	n/a
	n/a	n/a
	n/a	n/a

**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 SIX YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	0.05225000%	0.04936500%	0.04673530%	0.05274700%
City's proportionate share of the net pension liability	\$ 4,264,981	\$ 3,029,758	\$ 2,961,289	\$ 3,393,261
City's covered payroll	\$ 1,312,763	\$ 1,198,095	\$ 1,118,963	\$ 1,190,137
City's proportionate share of the net pension liability as a percentage of its covered payroll	324.89%	252.88%	264.65%	285.12%
Plan fiduciary net position as a percentage of the total pension liability	63.07%	70.91%	68.36%	66.77%

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

<u>2015</u>	<u>2014</u>
0.05284500%	0.05284500%
\$ 2,737,607	\$ 2,573,732
\$ 1,160,168	\$ 1,125,595
235.97%	228.66%
72.20%	73.00%

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 235,339	\$ 212,083	\$ 172,086	\$ 166,521
Contributions in relation to the contractually required contribution	<u>(235,339)</u>	<u>(212,083)</u>	<u>(172,086)</u>	<u>(166,521)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,680,993	\$ 1,514,879	\$ 1,323,738	\$ 1,387,675
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 8,634	\$ 14,988	\$ 12,602	\$ 13,897
Contributions in relation to the contractually required contribution	<u>(8,634)</u>	<u>(14,988)</u>	<u>(12,602)</u>	<u>(13,897)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 61,671	\$ 107,057	\$ 96,938	\$ 115,808
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 7,046	\$ 5,971	\$ 6,158	\$ 6,163
Contributions in relation to the contractually required contribution	<u>(7,046)</u>	<u>(5,971)</u>	<u>(6,158)</u>	<u>(6,163)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 70,460	\$ 59,710	\$ 61,580	\$ 51,358
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 167,154	\$ 162,541	\$ 176,294	\$ 140,089	\$ 183,498	\$ 171,828
<u>(167,154)</u>	<u>(162,541)</u>	<u>(176,294)</u>	<u>(140,089)</u>	<u>(183,498)</u>	<u>(171,828)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,392,950	\$ 1,354,508	\$ 1,356,108	\$ 1,400,890	\$ 1,834,980	\$ 1,926,323
12.00%	12.00%	13.00%	10.00%	10.00%	8.92%
\$ 13,594	\$ 14,180	\$ 14,001	\$ 4,425	\$ 3,668	\$ 3,602
<u>(13,594)</u>	<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>	<u>\$ -</u>
\$ 113,283	\$ 118,167	\$ 107,700	\$ 55,660	\$ 46,138	\$ 37,185
12.00%	12.00%	13.00%	7.95%	7.95%	9.69%
\$ 8,176					
<u>(8,176)</u>					
<u>\$ -</u>					
\$ 68,133					
12.00%					

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Police:</i>				
Contractually required contribution	\$ 275,667	\$ 249,425	\$ 227,638	\$ 212,603
Contributions in relation to the contractually required contribution	<u>(275,667)</u>	<u>(249,425)</u>	<u>(227,638)</u>	<u>(212,603)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,450,879	\$ 1,312,763	\$ 1,198,095	\$ 1,118,963
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 226,126	\$ 220,432	\$ 178,782	\$ 151,456	\$ 192,923	\$ 188,210
<u>(226,126)</u>	<u>(220,432)</u>	<u>(178,782)</u>	<u>(151,456)</u>	<u>(192,923)</u>	<u>(188,210)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,190,137	\$ 1,387,820	\$ 1,402,212	\$ 1,187,890	\$ 1,513,122	\$ 1,476,157
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 THREE YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.011594%	0.010460%	0.011309%
City's proportionate share of the net OPEB liability	\$ 1,511,584	\$ 1,135,879	\$ 1,142,200
City's covered payroll	\$ 1,681,646	\$ 1,482,256	\$ 1,568,357
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.89%	76.63%	72.83%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	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 THREE YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.05225000%	0.04936500%	0.04675300%
City's proportionate share of the net OPEB liability	\$ 475,816	\$ 2,796,952	\$ 2,219,260
City's covered payroll	\$ 1,312,763	\$ 1,198,095	\$ 1,118,963
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.25%	233.45%	198.33%
Plan fiduciary net position as a percentage of the total OPEB liability	46.57%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 2,819	\$ 2,388	\$ 16,669	\$ 32,989
Contributions in relation to the contractually required contribution	<u>(2,819)</u>	<u>(2,388)</u>	<u>(16,669)</u>	<u>(32,989)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,813,124	\$ 1,681,646	\$ 1,482,256	\$ 1,554,841
Contributions as a percentage of covered payroll	0.16%	0.14%	1.12%	2.12%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 30,125	\$ 29,462	\$ 14,632	\$ 59,403	\$ 53,149	\$ 63,412
<u>(30,125)</u>	<u>(29,462)</u>	<u>(14,632)</u>	<u>(59,403)</u>	<u>(53,149)</u>	<u>(63,412)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,574,366	\$ 1,472,675	\$ 1,463,808	\$ 1,456,550	\$ 1,881,118	\$ 1,963,508
1.91%	2.00%	1.00%	4.08%	2.83%	3.23%

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Police:</i>				
Contractually required contribution	\$ 7,254	\$ 6,564	\$ 5,990	\$ 5,595
Contributions in relation to the contractually required contribution	<u>(7,254)</u>	<u>(6,564)</u>	<u>(5,990)</u>	<u>(5,595)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,450,879	\$ 1,312,763	\$ 1,198,095	\$ 1,118,963
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 6,112	\$ 5,787	\$ 40,112	\$ 80,183	\$ 66,790	\$ 65,150
<u>(6,112)</u>	<u>(5,787)</u>	<u>(40,112)</u>	<u>(80,183)</u>	<u>(66,790)</u>	<u>(65,150)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,190,137	\$ 1,387,820	\$ 1,402,212	\$ 1,187,890	\$ 1,513,122	\$ 1,476,157
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%

CITY OF CANFIELD, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019

PENSION

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2019.

*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. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.

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. There were no changes in assumptions for 2019.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2017-2019.

*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%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

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. For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.

*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%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%.

# 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, 2019, 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 26, 2020, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and also wherein we noted that the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

### ***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 26, 2020

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF CANFIELD**

**MAHONING COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/15/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)