

CITY OF CANAL WINCHESTER
FRANLIN COUNTY
REGULAR AUDIT
JANUARY 1, 2015 – DECEMBER 31, 2015





Dave Yost • Auditor of State

City Council
City of Canal Winchester
36 South High Street
Canal Winchester, Ohio 43110

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

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

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

Dave Yost
Auditor of State

June 23, 2017

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**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canal Winchester, Franklin County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canal Winchester, Franklin County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3A to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Wilson, Shuman & Sauer, Inc.

Newark, Ohio
June 9, 2017

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The management's discussion and analysis of the City of Canal Winchester's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The total net position of the City increased \$2,111,839 from the restated 2014 net position. Net position of governmental activities increased \$2,556,249 or 24% over the 2014 restated net position of \$10,684,403 and net position of business-type activities decreased \$444,410 or 1% from 2014's restated net position of \$47,953,365.
- General revenues accounted for \$6,805,947 of total governmental activities revenue. Program specific revenues accounted for \$1,457,883 or 18% of total governmental activities revenue.
- The City had \$5,707,581 in expenses related to governmental activities; \$1,457,883 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$4,249,698 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$6,805,947.
- The general fund had revenues and other financing sources of \$7,716,015 in 2015. This represents an increase of \$770,154 from 2014's revenues. The expenditures and other financing uses of the general fund, which totaled \$6,605,191 in 2015, decreased \$92,423 from 2014's expenditures. The net increase in fund balance for the general fund was \$1,110,824 or 30%.
- The debt service fund had other financing sources of \$1,164,419 in 2015. The expenditures of the debt service fund, totaled \$1,164,419 in 2015. The fund balance for the debt service fund did not change from prior year.
- The capital improvement fund had revenues and other financing sources of \$3,501,647 in 2015. The expenditures of the capital improvement fund totaled \$1,635,378 in 2015. The net increase in fund balance was \$1,866,269.
- Net position for the business-type activities, which are made up of the water, sewer, and storm water enterprise funds, decreased in 2015 by \$444,410.
- In the general fund, the actual revenues and other financing sources came in \$630,863 higher than they were in the final budget and actual expenditures and other financing uses were \$415,910 less than the amount in the final budget.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the debt service fund and the capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and storm water management functions. All of the enterprise funds are considered major funds.

Fiduciary Funds

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

Government-Wide Financial Analysis

The statement of net position serves as a useful indicator of a government's financial position. The table below provides a summary of the City's net position for 2015 and 2014.

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**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

	Net Position					
	Governmental Activities 2015	Business-type Activities 2015	Restated Governmental Activities 2014	Restated Business-type Activities 2014	Total 2015	Restated Total 2014
Assets						
Current and other assets	\$ 10,878,497	\$ 7,723,132	\$ 7,356,800	\$ 9,285,740	\$ 18,601,629	\$ 16,642,540
Nondepreciable capital assets	3,831,156	913,400	1,893,609	913,400	4,744,556	2,807,009
Depreciable capital assets, net	10,689,894	47,661,274	10,110,311	47,292,882	58,351,168	57,403,193
Capital assets, net	<u>14,521,050</u>	<u>48,574,674</u>	<u>12,003,920</u>	<u>48,206,282</u>	<u>63,095,724</u>	<u>60,210,202</u>
Total assets	<u>25,399,547</u>	<u>56,297,806</u>	<u>19,360,720</u>	<u>57,492,022</u>	<u>81,697,353</u>	<u>76,852,742</u>
Deferred outflows of resources	<u>204,956</u>	<u>213,192</u>	<u>123,796</u>	<u>199,812</u>	<u>418,148</u>	<u>323,608</u>
Liabilities						
Current and other liabilities	1,093,599	111,149	530,492	171,848	1,204,748	702,340
Long-term liabilities:						
Due within one year	1,282,446	1,329,847	1,061,007	1,444,486	2,612,293	2,505,493
Net pension liability	953,966	539,804	931,369	528,661	1,493,770	1,460,030
Due in more than one year	<u>8,350,605</u>	<u>7,012,576</u>	<u>5,730,182</u>	<u>7,593,474</u>	<u>15,363,181</u>	<u>13,323,656</u>
Total liabilities	<u>11,680,616</u>	<u>8,993,376</u>	<u>8,253,050</u>	<u>9,738,469</u>	<u>20,673,992</u>	<u>17,991,519</u>
Deferred inflows of resources	<u>683,235</u>	<u>8,667</u>	<u>547,063</u>	<u>-</u>	<u>691,902</u>	<u>547,063</u>
Net Position						
Net investment in capital assets	6,809,950	40,508,355	5,174,366	39,420,052	47,318,305	44,594,418
Restricted:						
Capital projects	-	-	37,855	-	-	37,855
Transportation projects	888,825	-	745,662	-	888,825	745,662
Leisure time activity	106,819	-	70,833	-	106,819	70,833
General government	759,320	-	577,253	-	759,320	577,253
Public health	-	-	12,650	-	-	12,650
Unrestricted	<u>4,675,738</u>	<u>7,000,600</u>	<u>4,065,784</u>	<u>8,533,313</u>	<u>11,676,338</u>	<u>12,599,097</u>
Total net position	<u>\$ 13,240,652</u>	<u>\$ 47,508,955</u>	<u>\$ 10,684,403</u>	<u>\$ 47,953,365</u>	<u>\$ 60,749,607</u>	<u>\$ 58,637,768</u>

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities.

For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position. In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$11,499,535 to \$10,684,403 and business-type activities from \$48,416,047 to \$47,953,365.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$60,749,607. At year-end, net position was \$13,240,652 and \$47,508,955 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 57% and 86% of total assets and deferred outflows of resources for the governmental activities and business-type activities, respectively. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, intangibles and infrastructure. The City's net investment in capital assets at December 31, 2015, were \$6,809,950 and \$40,508,355 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, \$1,754,964 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$4,675,738 may be used to meet the government's ongoing obligations to citizens and creditors.

The following table shows the changes in net position for 2015 and 2014.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

	Change in Net Position					
	Governmental Activities	Business-type Activities	Restated	Restated	Total	Restated Total
			Governmental Activities	Business-type Activities		
	2015	2015	2014	2014	2015	2014
Revenues						
Program revenues:						
Charges for services and sales	\$ 886,715	\$ 3,601,466	\$ 930,065	\$ 3,872,695	\$ 4,488,181	\$ 4,802,760
Operating grants and contributions	470,987	-	395,704	-	470,987	395,704
Capital grants and contributions	100,181	-	1,269,668	-	100,181	1,269,668
Total program revenues	1,457,883	3,601,466	2,595,437	3,872,695	5,059,349	6,468,132
General revenues:						
Property and other local taxes	335,885	-	371,588	-	335,885	371,588
Income taxes	5,860,527	-	5,006,182	-	5,860,527	5,006,182
Lodging taxes	78,862	-	64,206	-	78,862	64,206
Payment in lieu of taxes	192,929	-	197,903	-	192,929	197,903
Grants and entitlements	125,650	-	170,093	-	125,650	170,093
Investment earnings	79,393	-	89,007	-	79,393	89,007
Increase in fair value of investments	3,192	-	4,680	-	3,192	4,680
Miscellaneous	129,509	7,049	66,176	26,788	136,558	92,964
Total general revenues	6,805,947	7,049	5,969,835	26,788	6,812,996	5,996,623
Total revenues	8,263,830	3,608,515	8,565,272	3,899,483	11,872,345	12,464,755
Program Expenses:						
General government	2,664,404	-	2,083,640	-	2,664,404	2,083,640
Security of persons and property	896,178	-	1,071,964	-	896,178	1,071,964
Public health and welfare	121,306	-	112,436	-	121,306	112,436
Transportation	956,907	-	887,948	-	956,907	887,948
Community environment	519,354	-	615,682	-	519,354	615,682
Leisure time activity	360,107	-	529,399	-	360,107	529,399
Interest and fiscal charges	189,325	-	190,111	-	189,325	190,111
Sewer operating	-	1,944,162	-	1,934,816	1,944,162	1,934,816
Water operating	-	1,740,156	-	1,624,497	1,740,156	1,624,497
Storm water operating	-	368,607	-	354,948	368,607	354,948
Total expenses	5,707,581	4,052,925	5,491,180	3,914,261	9,760,506	9,405,441
Increase (decrease) in net position	2,556,249	(444,410)	3,074,092	(14,778)	2,111,839	3,059,314
Net position beginning of year (restated)	10,684,403	47,953,365	NA	NA	58,637,768	NA
Net position end of year	<u>\$ 13,240,652</u>	<u>\$ 47,508,955</u>	<u>\$ 10,684,403</u>	<u>\$ 47,953,365</u>	<u>\$ 60,749,607</u>	<u>\$ 58,637,768</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$182,216 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan.

**CITY OF CANAL WINCHESTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$178,436. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$ 5,707,581	\$ 4,052,925	\$ 9,760,506
Pension expense under GASB 68	(119,506)	(58,930)	(178,436)
2015 contractually required contributions	<u>127,403</u>	<u>62,824</u>	<u>190,227</u>
Adjusted 2015 program expenses	5,715,478	4,056,819	9,772,297
Total 2014 program expenses under GASB 27	<u>5,491,180</u>	<u>3,914,261</u>	<u>9,405,441</u>
Increase (decrease) in program expenses not related to pension	<u>\$ 224,298</u>	<u>\$ 142,558</u>	<u>\$ 366,856</u>

Governmental Activities

Governmental activities net position increased \$2,556,249 in 2015 which is a result of higher general revenues.

Security of persons and property, which primarily supports the operations of the Fairfield County Sheriff's department, was \$896,178 or 16% of total City expenses. General government expenses totaled \$2,664,404. General government expenses were partially funded by \$783,081 in direct charges to users of the services.

The State and federal government contributed to the City a total of \$470,987 in operating grants and contributions and \$100,181 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$6,805,947 and amounted to 82% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$6,196,412. The other primary source of general revenues is payments in lieu of taxes comprising \$192,929.

The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2015 compared to 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

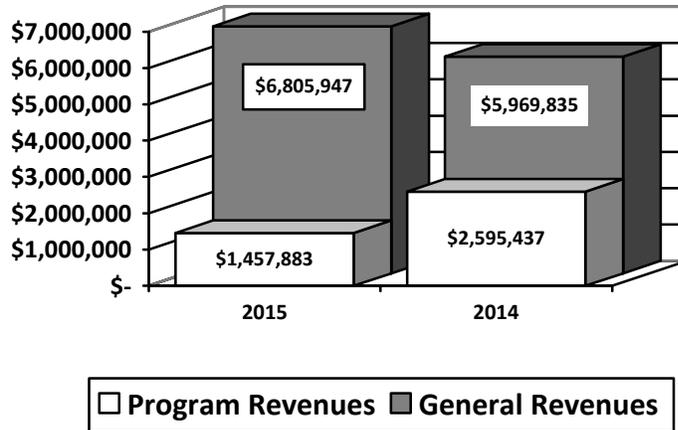
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Governmental Activities - Program Revenues vs. Total Expenses

	Governmental Activities			
	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 2,664,404	\$ 1,881,323	\$ 2,083,640	\$ 1,331,160
Security of persons & property	896,178	896,178	1,071,964	1,071,964
Public health and welfare	121,306	121,306	112,436	112,436
Transportation	956,907	385,739	887,948	(774,024)
Community environment	519,354	519,354	615,682	615,682
Leisure time activity	360,107	256,473	529,399	348,414
Interest and fiscal charges	189,325	189,325	190,111	190,111
Total	\$ 5,707,581	\$ 4,249,698	\$ 5,491,180	\$ 2,895,743

The chart below illustrates the City's program revenues versus general revenues for 2015 and 2014.

Governmental Activities – General and Program Revenues



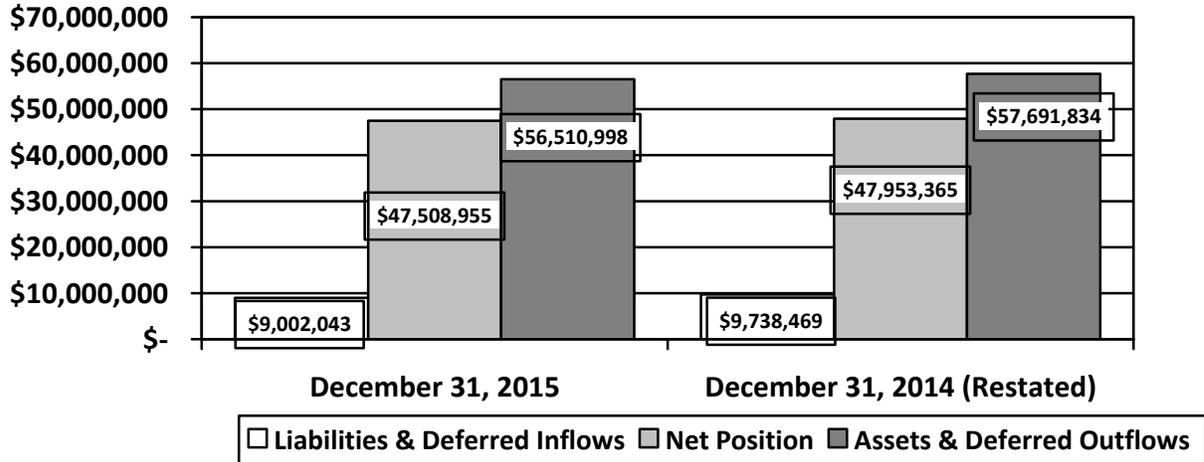
Business-type Activities

Business-type activities include the water, sewer, and storm water enterprise funds. These programs had program revenues of \$3,601,466 and expenses of \$4,052,925 for 2015. The graph below shows the business-type activities assets and deferred outflows, liabilities and deferred inflows, and net position at year-end.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Net Position in Business - Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds reported a combined fund balance of \$7,978,499 which is \$2,951,042 above last year's total of \$5,027,457. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2015 for all major and non-major governmental funds.

	Fund Balances 12/31/2015	Fund Balances 12/31/2014	Increase (Decrease)
Major funds:			
General fund	\$ 4,819,107	\$ 3,708,283	\$ 1,110,824
Debt service fund	42,100	42,100	-
Capital improvement fund	1,866,269	-	1,866,269
Other nonmajor governmental funds	1,251,023	1,277,074	(26,051)
Total	\$ 7,978,499	\$ 5,027,457	\$ 2,951,042

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

General Fund

The City's general fund balance increased \$1,110,824. The table that follows assists in illustrating the revenues of the general fund.

	2015 Amount	2014 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 6,273,190	\$ 5,347,626	17.31 %
Intergovernmental	148,783	213,299	(30.25) %
Special assessments	180,958	218,432	(17.16) %
Charges for services	97,508	177,210	(44.98) %
Fines, licenses and permits	588,454	472,877	24.44 %
Rental income	8,390	5,875	42.81 %
Investment income	73,265	99,901	(26.66) %
Increase in FMV of investments	3,192	4,680	(31.79) %
Other	104,625	65,764	59.09 %
Total	<u>\$ 7,478,365</u>	<u>\$ 6,605,664</u>	13.21 %

The City's largest revenue source in the general fund was tax revenue, which represents 84% of all general fund revenue. Tax revenues increased 17.31% due primarily to an increase in income tax collections.

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

	2015 Amount	2014 Amount	Percentage Change
<u>Expenditures</u>			
General government	\$ 2,595,637	\$ 2,054,210	26.36 %
Security of persons and property	896,178	1,071,964	(16.40) %
Public health and welfare	121,306	112,436	7.89 %
Transportation	634,172	754,584	(15.96) %
Community environment	529,311	616,951	(14.21) %
Leisure time activity	348,957	429,940	(18.84) %
Capital outlay	305,013	267,813	13.89 %
Debt service	10,198	30,248	(66.29) %
Total	<u>\$ 5,440,772</u>	<u>\$ 5,338,146</u>	1.92 %

General government expenditures consist of various departments that service the government as a whole. General government expenditures increased 26.36% over 2014.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Budgeting Highlights

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

Budgetary information is presented for the general fund. In the general fund, the actual revenues and financing sources came in \$630,863 higher than they were in the final budget and actual expenditures and other financing uses were \$415,910 less than the amount in the final budget. Original budgeted revenues and other financing sources of \$6,463,414 were increased \$701,221 to \$7,164,635 in the final budget. Budgeted expenditures and other financing uses increased \$1,467,421 from an original budget of \$6,460,883 to a final budget of \$7,928,304.

Debt Service Fund

The debt service fund had other financing sources of \$1,164,419 in 2015. The expenditures of the debt service fund, totaled \$1,164,419 in 2015. There was no change in fund balance of \$42,100.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$3,501,647 in 2015. The expenditures of the capital improvement fund, totaled \$1,635,378 in 2015. The net increase in fund balance was \$1,866,269.

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

Capital Assets and Debt Administration

Capital Assets

At the end of 2015, the City had \$63,095,724 (net of accumulated depreciation) invested in land, construction in progress, intangibles, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Of this total, \$14,521,050 was reported in governmental activities and \$48,574,674 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2015 balances compared to 2014.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,183,899	\$ 1,641,602	\$ 913,400	\$ 913,400	\$ 3,097,299	\$ 2,555,002
Construction in progress	1,390,010	-	-	-	1,390,010	-
Intangibles	257,247	252,007	-	-	257,247	252,007
Land improvements	911,817	943,180	-	-	911,817	943,180
Building & improve.	1,873,888	1,624,085	10,995,745	9,321,033	12,869,633	10,945,118
Equipment	453,790	501,260	862,017	685,776	1,315,807	1,187,036
Vehicles	329,308	220,265	151,990	169,722	481,298	389,987
Infrastructure	7,121,091	6,821,521	35,651,522	37,116,351	42,772,613	43,937,872
Totals	<u>\$ 14,521,050</u>	<u>\$ 12,003,920</u>	<u>\$ 48,574,674</u>	<u>\$ 48,206,282</u>	<u>\$ 63,095,724</u>	<u>\$ 60,210,202</u>

The City's largest capital asset category is infrastructure. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 49% of the City's total governmental activities and 73% of the business-type activity capital assets.

Debt Administration

The City had the following debt obligations outstanding at December 31, 2015 and 2014:

	Governmental Activities	
	2015	2014
General obligation bonds	\$ 7,595,000	\$ 4,615,000
OPWC loans	1,573,422	1,744,812
Bond anticipation notes	300,000	450,000
Lease purchase agreement	128,622	36,382
Capital lease obligation	30,214	38,601
Total debt obligations	<u>\$ 9,627,258</u>	<u>\$ 6,884,795</u>
	Business-type Activities	
	2015	2014
Revenue bonds	\$ 2,745,000	\$ 3,015,000
Bond anticipation notes	650,000	800,000
OPWC loans	938,447	984,487
OWDA loans	3,809,805	4,059,253
Lease purchase agreement	37,849	54,123
Capital lease obligation	5,556	7,200
Total debt obligations	<u>\$ 8,186,657</u>	<u>\$ 8,920,063</u>

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Economic Factors and Next Year's Budget and Rates

The City of Canal Winchester's financial condition has continued to improve over the past five years as city leaders continue to closely monitor the revenue and expenditures. Income tax collections, the city's primary source of General Fund revenue, were 24% over projections in 2015. The increased revenue has given the city the opportunity to plan for future construction projects and continue to provide a high level of service to its residents.

Local Government funding has remained steady over the past three years, after reductions were enacted due to budget shortfalls at the State level and is expected to be consistent in 2016. Local Government funding will continue to be a target for cuts in the future and is being monitored by the city.

Legislation regarding the uniformity of municipal income taxes throughout the State was passed by the Ohio Legislature in 2014. This legislation will severely impact the city's control over its income tax and cause significant revenue loss for the city. The extent of the impact on city revenue is still unknown at this time.

In addition, the following items were taken into consideration during preparation of the 2016 budget:

- Unemployment rates as of December 2015 (latest available) in Franklin and Fairfield County are 3.8% and 4.1%, respectively. These rates are both lower than the state average of 4.9% and national average of 5.3%.
- Interest rates continue to be lower than historical levels.
- Development revenue will remain consistent as construction remains steady.
- The cost of repair and replacement of City infrastructure continues to increase.

The 2016 Budget reflects the city's continued effort to practice conservative budgetary practices in order to preserve a solid financial position in the future.

Contacting the City's Financial Management

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

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**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 8,430,379	\$ 7,170,165	\$ 15,600,544
Receivables:			
Income taxes	1,178,979	-	1,178,979
Real and other taxes	380,495	-	380,495
Accounts	46,363	474,638	521,001
Payments in lieu of taxes	295,120	-	295,120
Accrued interest	10,155	-	10,155
Special assessments	119,428	-	119,428
Due from other governments	291,981	-	291,981
Prepayments	47,761	33,653	81,414
Materials and supplies inventory	77,836	44,676	122,512
Capital assets:			
Nondepreciable capital assets	3,831,156	913,400	4,744,556
Depreciable capital assets, net	10,689,894	47,661,274	58,351,168
Total capital assets, net	<u>14,521,050</u>	<u>48,574,674</u>	<u>63,095,724</u>
Total assets	<u>25,399,547</u>	<u>56,297,806</u>	<u>81,697,353</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	43,821	120,338	164,159
Pension	161,135	92,854	253,989
Total deferred outflows of resources	<u>204,956</u>	<u>213,192</u>	<u>418,148</u>
Total assets and deferred outflows of resources	<u>25,604,503</u>	<u>56,510,998</u>	<u>82,115,501</u>
Liabilities:			
Accounts payable	87,724	17,852	105,576
Contracts payable	797,296	-	797,296
Accrued wages and benefits payable	16,500	9,180	25,680
Due to other governments	97,314	21,931	119,245
Accrued interest payable	19,765	62,186	81,951
Notes payable	75,000	-	75,000
Long-term liabilities:			
Due within one year	1,282,446	1,329,847	2,612,293
Due in more than one year:			
Net pension liability	953,966	539,804	1,493,770
Other amount due in more than one year	8,350,605	7,012,576	15,363,181
Total liabilities	<u>11,680,616</u>	<u>8,993,376</u>	<u>20,673,992</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	370,539	-	370,539
Payment in lieu of tax revenue not available	295,120	-	295,120
Pension	17,576	8,667	26,243
Total deferred inflows of resources	<u>683,235</u>	<u>8,667</u>	<u>691,902</u>
Total liabilities and deferred inflows of resources	<u>12,363,851</u>	<u>9,002,043</u>	<u>21,365,894</u>
Net position:			
Net investment in capital assets	6,809,950	40,508,355	47,318,305
Restricted for:			
Transportation projects	888,825	-	888,825
Leisure time activity	106,819	-	106,819
General government	759,320	-	759,320
Unrestricted	4,675,738	7,000,600	11,676,338
Total net position	<u>\$ 13,240,652</u>	<u>\$ 47,508,955</u>	<u>\$ 60,749,607</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,664,404	\$ 783,081	\$ -	\$ -
Security of persons and property	896,178	-	-	-
Public health and welfare	121,306	-	-	-
Transportation	956,907	-	470,987	100,181
Community environment	519,354	-	-	-
Leisure time activity	360,107	103,634	-	-
Interest and fiscal charges	189,325	-	-	-
Total governmental activities	<u>5,707,581</u>	<u>886,715</u>	<u>470,987</u>	<u>100,181</u>
Business-type activities:				
Water	1,740,156	1,503,176	-	-
Sewer	1,944,162	1,874,055	-	-
Storm water	368,607	224,235	-	-
Total business-type activities	<u>4,052,925</u>	<u>3,601,466</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 9,760,506</u>	<u>\$ 4,488,181</u>	<u>\$ 470,987</u>	<u>\$ 100,181</u>

General revenues:

- Property taxes levied for:
 - General purposes
- Income taxes levied for:
 - General purposes
- Lodging taxes levied for:
 - Special revenue
- Payments in lieu of taxes
- Grants and entitlements not restricted to specific programs
- Increase in fair value of investments
- Investment earnings
- Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year (as restated)

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,881,323)	\$ -	\$ (1,881,323)
(896,178)	-	(896,178)
(121,306)	-	(121,306)
(385,739)	-	(385,739)
(519,354)	-	(519,354)
(256,473)	-	(256,473)
(189,325)	-	(189,325)
<u>(4,249,698)</u>	<u>-</u>	<u>(4,249,698)</u>
-	(236,980)	(236,980)
-	(70,107)	(70,107)
<u>-</u>	<u>(144,372)</u>	<u>(144,372)</u>
<u>-</u>	<u>(451,459)</u>	<u>(451,459)</u>
<u>(4,249,698)</u>	<u>(451,459)</u>	<u>(4,701,157)</u>
335,885	-	335,885
5,860,527	-	5,860,527
78,862	-	78,862
192,929	-	192,929
125,650	-	125,650
3,192	-	3,192
79,393	-	79,393
129,509	7,049	136,558
<u>6,805,947</u>	<u>7,049</u>	<u>6,812,996</u>
2,556,249	(444,410)	2,111,839
<u>10,684,403</u>	<u>47,953,365</u>	<u>58,637,768</u>
<u>\$ 13,240,652</u>	<u>\$ 47,508,955</u>	<u>\$ 60,749,607</u>

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 4,192,777	\$ 42,100	\$ 2,663,565	\$ 1,531,937	\$ 8,430,379
Receivables:					
Income taxes	1,178,979	-	-	-	1,178,979
Real and other taxes	375,155	-	-	5,340	380,495
Accounts	46,045	-	-	318	46,363
Payments in lieu of taxes	-	-	-	295,120	295,120
Accrued interest	10,155	-	-	-	10,155
Special assessments	119,428	-	-	-	119,428
Interfund	400,000	-	-	-	400,000
Due from other governments	97,658	-	-	194,323	291,981
Prepayments	47,695	-	-	66	47,761
Materials and supplies inventory	18,225	-	-	59,611	77,836
Total assets	<u>\$ 6,486,117</u>	<u>\$ 42,100</u>	<u>\$ 2,663,565</u>	<u>\$ 2,086,715</u>	<u>\$ 11,278,497</u>
Liabilities:					
Accounts payable	\$ 83,707	\$ -	\$ -	\$ 4,017	\$ 87,724
Contracts payable	-	-	797,296	-	797,296
Accrued wages and benefits payable	14,414	-	-	2,086	16,500
Interfund payable	-	-	-	400,000	400,000
Due to other governments	93,947	-	-	3,367	97,314
Notes payable	75,000	-	-	-	75,000
Accrued interest payable	703	-	-	-	703
Total liabilities	<u>267,771</u>	<u>-</u>	<u>797,296</u>	<u>409,470</u>	<u>1,474,537</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	370,539	-	-	-	370,539
Delinquent property tax revenue not available	4,616	-	-	-	4,616
Accrued interest not available	9,797	-	-	-	9,797
Special assessments revenue not available	119,428	-	-	-	119,428
Payment in lieu of tax revenue not available	-	-	-	295,120	295,120
Income tax revenue not available	816,247	-	-	-	816,247
Nonexchange transactions not available	78,612	-	-	131,102	209,714
Total deferred inflows of resources	<u>1,399,239</u>	<u>-</u>	<u>-</u>	<u>426,222</u>	<u>1,825,461</u>
Total liabilities and deferred inflows of resources	<u>1,667,010</u>	<u>-</u>	<u>797,296</u>	<u>835,692</u>	<u>3,299,998</u>
Fund balances:					
Nonspendable	65,920	-	-	59,677	125,597
Restricted	-	-	1,866,269	1,582,802	3,449,071
Assigned	282,029	42,100	-	-	324,129
Unassigned	4,471,158	-	-	(391,456)	4,079,702
Total fund balances	<u>4,819,107</u>	<u>42,100</u>	<u>1,866,269</u>	<u>1,251,023</u>	<u>7,978,499</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,486,117</u>	<u>\$ 42,100</u>	<u>\$ 2,663,565</u>	<u>\$ 2,086,715</u>	<u>\$ 11,278,497</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total governmental fund balances		\$	7,978,499
<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.			14,521,050
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(19,062)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			43,821
Unamortized discounts on bond issuances are not recognized in the governmental funds.			6,068
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	816,247	
Real and other taxes receivable		4,616	
Intergovernmental receivable		209,714	
Special assessments receivable		119,428	
Investment income receivable		9,797	
Total		1,159,802	1,159,802
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:			
Deferred outflows - pension		161,135	
Deferred inflows - pension		(17,576)	
Net pension liability		(953,966)	
Total		(810,407)	(810,407)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(86,861)	
General obligation bonds payable		(7,595,000)	
Bond anticipation note payable		(225,000)	
Capital lease payable		(30,214)	
OPWC loans payable		(1,573,422)	
Lease purchase payable		(128,622)	
Total		(9,639,119)	(9,639,119)
Net position of governmental activities		\$	13,240,652

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Municipal income taxes	\$ 5,926,813	\$ -	\$ -	\$ -	\$ 5,926,813
Real and other taxes	346,377	-	-	78,862	425,239
Charges for services	97,508	-	-	-	97,508
Fines, licenses and permits	588,454	-	-	3,964	592,418
Payments in lieu of taxes	-	-	-	192,929	192,929
Intergovernmental	148,783	-	-	547,395	696,178
Special assessments	180,958	-	-	-	180,958
Investment income	73,265	-	-	536	73,801
Rental income	8,390	-	-	-	8,390
Increase in fair value of investments	3,192	-	-	-	3,192
Other	104,625	-	1,647	23,237	129,509
Total revenues	<u>7,478,365</u>	<u>-</u>	<u>1,647</u>	<u>846,923</u>	<u>8,326,935</u>
Expenditures:					
Current:					
General government	2,595,637	-	-	6,889	2,602,526
Security of persons and property	896,178	-	-	-	896,178
Public health and welfare	121,306	-	-	-	121,306
Transportation	634,172	-	-	295,305	929,477
Community environment	529,311	-	-	-	529,311
Leisure time activity	348,957	-	-	42,876	391,833
Other	-	-	-	973	973
Capital outlay	305,013	-	1,635,378	590,859	2,531,250
Intergovernmental	-	-	-	12,653	12,653
Debt service:					
Principal retirement	6,743	991,390	-	34,602	1,032,735
Interest and fiscal charges	3,455	173,029	-	1,365	177,849
Total expenditures	<u>5,440,772</u>	<u>1,164,419</u>	<u>1,635,378</u>	<u>985,522</u>	<u>9,226,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,037,593</u>	<u>(1,164,419)</u>	<u>(1,633,731)</u>	<u>(138,599)</u>	<u>(899,156)</u>
Other financing sources (uses):					
Bond issuance	-	-	3,500,000	-	3,500,000
Sale of notes	225,000	-	-	-	225,000
Capital lease transaction	-	-	-	125,198	125,198
Transfers in	12,650	1,164,419	-	-	1,177,069
Transfers (out)	(1,164,419)	-	-	(12,650)	(1,177,069)
Total other financing sources (uses)	<u>(926,769)</u>	<u>1,164,419</u>	<u>3,500,000</u>	<u>112,548</u>	<u>3,850,198</u>
Net change in fund balances	1,110,824	-	1,866,269	(26,051)	2,951,042
Fund balances at beginning of year	<u>3,708,283</u>	<u>42,100</u>	<u>-</u>	<u>1,277,074</u>	<u>5,027,457</u>
Fund balances at end of year	<u>\$ 4,819,107</u>	<u>\$ 42,100</u>	<u>\$ 1,866,269</u>	<u>\$ 1,251,023</u>	<u>\$ 7,978,499</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund balances - total governmental funds	\$	2,951,042
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 2,995,750	
Current year depreciation	<u>(432,747)</u>	
Total		2,563,003
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(45,873)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(65,618)
Proceeds of notes and capital leases are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		(3,850,198)
Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		1,032,735
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		127,403
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(119,506)
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
Increase in accrued interest payable		(3,322)
Amortization of deferred amounts on refunding		(4,914)
Amortization of bond premiums and discounts		(438)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(28,065)</u>
Change in net position of governmental activities	\$	<u>2,556,249</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Municipal income taxes	\$ 4,883,493	\$ 5,429,073	\$ 5,928,928	\$ 499,855
Real and other taxes	285,301	317,175	346,377	29,202
Charges for services	80,315	89,287	97,508	8,221
Licenses, permits and fees	493,700	548,856	599,389	50,533
Intergovernmental	120,017	133,425	145,710	12,285
Special assessments	149,050	165,702	180,958	15,256
Investment income	68,114	75,724	82,696	6,972
Rental income	6,911	7,683	8,390	707
Other	76,513	85,060	92,892	7,832
Total revenues	<u>6,163,414</u>	<u>6,851,985</u>	<u>7,482,848</u>	<u>630,863</u>
Expenditures:				
Current:				
General government	2,388,634	2,719,778	2,601,728	118,050
Security of persons and property	1,041,037	983,373	978,743	4,630
Public health and welfare	128,500	122,500	121,583	917
Transportation	865,934	734,454	734,454	-
Community environment	536,600	655,304	551,931	103,373
Leisure time activity	632,759	438,041	354,512	83,529
Capital outlay	3,000	310,435	305,024	5,411
Debt service:				
Principal retirement	-	150,000	150,000	-
Total expenditures	<u>5,596,464</u>	<u>6,113,885</u>	<u>5,797,975</u>	<u>315,910</u>
Excess of revenues over expenditures	<u>566,950</u>	<u>738,100</u>	<u>1,684,873</u>	<u>946,773</u>
Other financing sources (uses):				
Sale of notes	300,000	300,000	300,000	-
Advances (out) and not repaid	-	(650,000)	(550,000)	100,000
Transfers in	-	12,650	12,650	-
Transfers (out)	(864,419)	(1,164,419)	(1,164,419)	-
Total other financing sources (uses)	<u>(564,419)</u>	<u>(1,501,769)</u>	<u>(1,401,769)</u>	<u>100,000</u>
Net change in fund balances	2,531	(763,669)	283,104	1,046,773
Fund balance at beginning of year	3,422,236	3,422,236	3,422,236	-
Prior year encumbrances appropriated	253,804	253,804	253,804	-
Fund balance at end of year	<u>\$ 3,678,571</u>	<u>\$ 2,912,371</u>	<u>\$ 3,959,144</u>	<u>\$ 1,046,773</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 2,466,383	\$ 4,422,464	\$ 281,318	\$ 7,170,165
Receivables:				
Accounts	204,773	232,946	36,919	474,638
Prepayments	15,706	13,935	4,012	33,653
Materials and supplies inventory	38,462	6,214	-	44,676
Total current assets	2,725,324	4,675,559	322,249	7,723,132
Noncurrent assets:				
Capital assets:				
Land and construction in progress	905,000	8,400	-	913,400
Depreciable capital assets, net	14,548,869	24,774,758	8,337,647	47,661,274
Total capital assets, net	15,453,869	24,783,158	8,337,647	48,574,674
Total assets	18,179,193	29,458,717	8,659,896	56,297,806
Deferred outflows of resources:				
Unamortized deferred charges on debt refunding	-	120,338	-	120,338
Pension	43,756	41,500	7,598	92,854
Total deferred outflows of resources	43,756	161,838	7,598	213,192
Total assets and deferred outflows of resources	18,222,949	29,620,555	8,667,494	56,510,998
Liabilities:				
Current liabilities:				
Accounts payable	2,738	14,614	500	17,852
Accrued wages and benefits payable	4,208	4,215	757	9,180
Compensated absences payable - current	57,124	14,923	13,068	85,115
Due to other governments	8,728	11,906	1,297	21,931
Accrued interest payable	39,718	18,999	3,469	62,186
Revenue bonds payable	-	275,000	-	275,000
OWDA loans payable	209,823	46,244	-	256,067
OPWC loans payable	32,196	11,188	-	43,384
Capital lease obligations payable	12,138	1,744	6,399	20,281
Notes payable	-	280,000	370,000	650,000
Total current liabilities	366,673	678,833	395,490	1,440,996
Long-term liabilities:				
Compensated absences payable	48,585	22,066	-	70,651
Revenue bonds payable	-	2,470,000	-	2,470,000
OWDA loans payable	2,729,188	824,550	-	3,553,738
OPWC loans payable	799,640	95,423	-	895,063
Capital lease obligations payable	12,769	3,812	6,543	23,124
Net pension liability	254,630	241,007	44,167	539,804
Total long-term liabilities	3,844,812	3,656,858	50,710	7,552,380
Total liabilities	4,211,485	4,335,691	446,200	8,993,376
Deferred inflows of resources:				
Pension	4,122	3,836	709	8,667
Total deferred inflows of resources	4,122	3,836	709	8,667
Total liabilities and deferred inflows of resources	4,215,607	4,339,527	446,909	9,002,043
Net position:				
Net investment in capital assets	11,658,115	20,895,535	7,954,705	40,508,355
Unrestricted	2,349,227	4,385,493	265,880	7,000,600
Total net position	\$ 14,007,342	\$ 25,281,028	\$ 8,220,585	\$ 47,508,955

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Operating revenues:				
Charges for services	\$ 1,348,170	\$ 1,413,883	\$ 224,235	\$ 2,986,288
Tap-in fees	155,006	460,172	-	615,178
Other operating revenues	3,461	3,588	-	7,049
Total operating revenues	<u>1,506,637</u>	<u>1,877,643</u>	<u>224,235</u>	<u>3,608,515</u>
Operating expenses:				
Personal services	432,840	416,787	90,063	939,690
Contract services	301,374	342,696	54,972	699,042
Materials and supplies	224,873	36,762	19,010	280,645
Depreciation	586,071	1,045,346	203,747	1,835,164
Other	65,527	-	-	65,527
Total operating expenses	<u>1,610,685</u>	<u>1,841,591</u>	<u>367,792</u>	<u>3,820,068</u>
Operating income (loss)	<u>(104,048)</u>	<u>36,052</u>	<u>(143,557)</u>	<u>(211,553)</u>
Nonoperating expenses:				
Interest and fiscal charges	(129,471)	(102,571)	(815)	(232,857)
Total nonoperating expenses	<u>(129,471)</u>	<u>(102,571)</u>	<u>(815)</u>	<u>(232,857)</u>
Change in net position	(233,519)	(66,519)	(144,372)	(444,410)
Net position at beginning of year (as restated)	<u>14,240,861</u>	<u>25,347,547</u>	<u>8,364,957</u>	<u>47,953,365</u>
Net position at end of year	<u>\$ 14,007,342</u>	<u>\$ 25,281,028</u>	<u>\$ 8,220,585</u>	<u>\$ 47,508,955</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 1,325,491	\$ 1,336,883	\$ 224,102	\$ 2,886,476
Cash received from tap-in fees	155,006	463,482	-	618,488
Cash received from other operations	3,461	3,588	-	7,049
Cash payments for personal services	(429,678)	(431,402)	(81,568)	(942,648)
Cash payments for contract services	(360,200)	(408,218)	(77,699)	(846,117)
Cash payments for materials and supplies	(252,438)	(39,510)	(18,510)	(310,458)
	<u>441,642</u>	<u>924,823</u>	<u>46,325</u>	<u>1,412,790</u>
Net cash provided by operating activities				
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(73,897)	(2,052,386)	(46,617)	(2,172,900)
Bond anticipation notes	-	280,000	370,000	650,000
Principal payments on bond anticipation notes	-	(380,000)	(420,000)	(800,000)
Principal retirement on revenue bonds	-	(270,000)	-	(270,000)
Principal retirement on capital lease	(9,447)	(1,644)	(6,827)	(17,918)
Principal retirement on OWDA loans	(204,169)	(45,279)	-	(249,448)
Principal retirement on OPWC loans	(35,180)	(10,860)	-	(46,040)
Interest and fiscal charges	(86,302)	(97,261)	(414)	(183,977)
	<u>(408,995)</u>	<u>(2,577,430)</u>	<u>(103,858)</u>	<u>(3,090,283)</u>
Net cash used in capital and related financing activities				
Net increase (decrease) in cash and cash equivalents	32,647	(1,652,607)	(57,533)	(1,677,493)
Cash and cash equivalents at beginning of year	2,433,736	6,075,071	338,851	8,847,658
Cash and cash equivalents at end of year	<u>\$ 2,466,383</u>	<u>\$ 4,422,464</u>	<u>\$ 281,318</u>	<u>\$ 7,170,165</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (104,048)	\$ 36,052	\$ (143,557)	\$ (211,553)
Adjustments:				
Depreciation	586,071	1,045,346	203,747	1,835,164
Changes in assets, deferred outflows, liabilities and deferred inflows:				
(Increase) decrease in accounts receivable	(22,679)	(73,690)	(133)	(96,502)
Decrease (increase) in materials and supplies inventory	(23,379)	(3,339)	-	(26,718)
Increase in accrued wages and benefits	1,687	1,918	340	3,945
Increase (decrease) in accounts payable	(8,350)	(35,355)	(14,389)	(58,094)
Increase (decrease) in compensated absences payable	53,670	(23,974)	8,173	37,869
Increase (decrease) in deferred inflows of resources	4,122	3,836	709	8,667
Increase (decrease) in net pension liability	5,299	4,932	911	11,142
(Increase) decrease in deferred outflows of resources	(60,398)	(23,343)	(6,280)	(90,021)
(Decrease) increase in due to other governments	(5,852)	(3,406)	(186)	(9,444)
Decrease (increase) in prepayments	15,499	(4,154)	(3,010)	8,335
	<u>15,499</u>	<u>(4,154)</u>	<u>(3,010)</u>	<u>8,335</u>
Net cash provided by operating activities	<u>\$ 441,642</u>	<u>\$ 924,823</u>	<u>\$ 46,325</u>	<u>\$ 1,412,790</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2015

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 430,656
Cash in segregated accounts	<u>21,255</u>
Total assets	<u><u>\$ 451,911</u></u>
Liabilities:	
Due to others	<u>\$ 451,911</u>
Total liabilities	<u><u>\$ 451,911</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - DESCRIPTION OF THE CITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The most significant of the City's accounting policies are described below.

A. Reporting Entity

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

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

The CWICC is a legally separate, non-profit corporation created on August 22, 1994 pursuant to the provisions of Ohio Rev. Code Section 1724.10. The CWICC is governed by a five-member Board of Trustees. Two of the members are from elected City officials and the remaining three members are elected by the CWICC. Vacancies are appointed by the remaining Trustees by an affirmative majority vote. The CWICC's sole purpose is to carry out the Plan of Industrial, Commercial, Distribution and Research Development for the City. The City is not required under this agreement to provide any financial contribution to the CWICC. The City did not expend any money in 2015 to the CWICC. The CWICC can incur debt, mortgage its property acquired, otherwise issue its obligations for the purpose of acquiring, constructing, improving and equipping buildings, structures and other properties and acquiring sites. The financial activities of the CWICC are not included in the financial statements of the City.

B. Basis of Presentation - Fund Accounting

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

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

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

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Fund Financial Statements - Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

C. Fund Accounting

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

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

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

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

Capital improvement fund - This fund accounts for and reports all transactions relating to bond proceeds for infrastructure improvements.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has three agency funds which account for the City's Mayor's Court, Meijer agency fund and Greengate Drive agency fund.

D. Measurement Focus and Basis of Accounting

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows, current liabilities and current deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus.

All assets, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in 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.

E. Basis of Accounting

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

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

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2015, are recorded as deferred inflows on the governmental fund financial statements.

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

F. Budgetary Process

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

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The City legally adopted appropriation amendments during 2015. The budgetary statement reflects the original and final appropriations as approved by Council.

Encumbrances:

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

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

G. Cash and Cash Equivalents

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

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

During 2015, the City invested in State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, negotiable certificates of deposit (CD), and U.S. government money market funds. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in STAR Ohio during 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office that 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2015.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2015 amounted to \$73,265, which included \$53,900 assigned from other funds of the City.

H. Inventories of Materials and Supplies

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

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

J. Compensated Absences

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

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for compensated absence payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation leave, sick leave, comp time and personal leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

L. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers.

Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

M. Fund Balance

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

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority).

Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

N. Estimates

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

O. Net Position

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

P. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2015 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2015.

R. Cooperative Economic Development Agreement (CEDA)

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

The Agreement allows for development of a designated area with the sharing of services and an annual service fee between the parties. This agreement has been in part responsible for the development of industrial/commercial development known as Canal Pointe which currently includes 61 businesses with over 1,038 employees.

S. Contributions of Capital

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

T. Unamortized Bond Discounts/Accounting Gain or Loss

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt. On the governmental fund financial statements bond discounts and net gains or losses from refunding are recognized in the current period.

U. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For 2015 the City has implemented GASB Statement No. 68, *“Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27”* and GASB Statement No. 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68”*.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Center’s pension plan disclosures, and added required supplementary information.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities net pension at January 1, 2015 has been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 11,499,535
Deferred outflows - payments subsequent to measurement date	116,237
Net pension liability	(931,369)
Restated net position at January 1, 2015	\$ 10,684,403

The business-type activities and each major enterprise fund net position at January 1, 2015 have been restated as follows:

	Business-Type Activities	Water	Sewer	Storm Water
Net position as previously reported	\$ 48,416,047	\$ 14,459,074	\$ 25,554,159	\$ 8,402,814
Deferred outflows - payments subsequent to measurement date	65,979	31,117	29,463	5,399
Net pension liability	(528,661)	(249,330)	(236,075)	(43,256)
Restated net position at January 1, 2015	\$ 47,953,365	\$ 14,240,861	\$ 25,347,547	\$ 8,364,957

B. Deficit Fund Balance

Fund balances at December 31, 2015 included a deficit of \$391,456 in the Gender Road TIF other governmental fund. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2, above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

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

B. Cash in Segregated Accounts

At year end, \$21,255 was on deposit for the healthcare account and mayor's court account and was held outside of the City's treasury.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

This amount is included in the total amount of deposits reported below and is reported on the financial statements as “cash in segregated accounts”.

C. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all City deposits was \$7,520,108. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2015, \$6,843,513 of the City’s bank balance of \$7,593,513 was exposed to custodial credit risk as discussed below, while \$750,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

D. Investments

As of December 31, 2015, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 800,008	\$ -	\$ -	\$ 800,008	\$ -	\$ -
FHLMC	1,486,805	-	-	-	-	1,486,805
FHLB	1,059,686	-	-	-	-	1,059,686
Negotiable CD's	2,430,471	-	598,529	249,320	350,013	1,232,609
STAR Ohio	161,803	161,803	-	-	-	-
U.S. Government money market	2,593,424	2,593,424	-	-	-	-
Total	<u>\$ 8,532,197</u>	<u>\$ 2,755,227</u>	<u>\$ 598,529</u>	<u>\$ 1,049,328</u>	<u>\$ 350,013</u>	<u>\$ 3,779,100</u>

The weighted average maturity of investments is 2.16 years.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The federal agency securities carry a rating of AA+ and Aaa by Standard & Poor's and Moody, respectively. The negotiable CDs are not rated. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 800,008	9.38
FHLMC	1,486,805	17.43
FHLB	1,059,686	12.42
Negotiable CD's	2,430,471	28.49
STAR Ohio	161,803	1.90
U.S. Government money market	<u>2,593,424</u>	<u>30.38</u>
Total	<u>\$ 8,532,197</u>	<u>100.00</u>

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,520,108
Investments	8,532,197
Cash on hand	<u>150</u>
Total	<u>\$ 16,052,455</u>

<u>Cash and investments per statement of position</u>	
Governmental activities	\$ 8,430,379
Business-type activities	7,170,165
Agency fund	<u>451,911</u>
Total	<u>\$ 16,052,455</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at December 31, 2015, as reported on the fund statements as interfund receivable/payables consist of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 400,000

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

- B.** Interfund transfers for the fiscal year ended December 31, 2015, consisted of the following, as reported on the fund financial statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Debt service fund	\$ 1,164,419
Other governmental funds	General fund	<u>12,650</u>
Total		<u>\$ 1,177,069</u>

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the other governmental fund to the General fund is to reimburse the General fund from the Federal Emergency Management Agency other governmental fund for costs incurred in prior years. All transfers made in fiscal year 2015 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Canal Winchester. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2015 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 2015 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values of real and public utility property upon which 2015 property tax receipts were based are as follows:

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6 - PROPERTY TAXES - (Continued)

Real property tax	\$ 209,309,350
Public utility tangible personal property	<u>3,361,390</u>
Total assessed value	<u><u>\$ 212,670,740</u></u>

NOTE 7 - LOCAL INCOME TAX

This locally levied tax of 2.0% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. The City gives a 100% credit to the tax paid to another municipality to the maximum of the total amount assessed. It also applies to the net income of business organizations located within the City. The City of Columbus administers and collects income taxes for the City. Payments, net of collection fees, are remitted monthly for tax receipts received by the City of Columbus in the prior month. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2015. Income tax revenue for 2015 was \$5,926,813 as reported in the fund financial statements. Income tax revenue is reported in the general fund.

NOTE 8 - TAX INCREMENT FINANCING DISTRICTS (TIF)

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

PILOT revenue was \$192,929 in 2015 as reported in the fund financial statements. The TIFs have a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2015, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 9 - RECEIVABLES - (Continued)

All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2015. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Income taxes	\$ 1,178,979
Property and other local taxes	380,495
Payments in lieu of taxes	295,120
Accounts	46,363
Special assessments	119,428
Accrued interest	10,155
Due from other governments	291,981

Business-type activities:

Accounts	474,638
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Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment

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**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - CAPITAL ASSETS

A. Governmental activities capital asset activity at December 31, 2015 was as follows:

<u>Governmental activities:</u>	Balance <u>12/31/14</u>	Additions	Deductions	Balance <u>12/31/2015</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,641,602	\$ 542,297	\$ -	\$ 2,183,899
Construction in progress	-	1,390,010	-	1,390,010
Intangibles	<u>252,007</u>	<u>5,240</u>	-	<u>257,247</u>
Total capital assets, not being depreciated	<u>1,893,609</u>	<u>1,937,547</u>	-	<u>3,831,156</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,317,104	-	(7,345)	1,309,759
Buildings and improvements	2,444,837	316,727	(47,399)	2,714,165
Furniture and equipment	801,711	30,303	(78,439)	753,575
Vehicles	647,938	175,751	(40,140)	783,549
Infrastructure	<u>7,294,074</u>	<u>535,422</u>	-	<u>7,829,496</u>
Total capital assets, being depreciated	<u>12,505,664</u>	<u>1,058,203</u>	<u>(173,323)</u>	<u>13,390,544</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(373,924)	(25,671)	1,653	(397,942)
Buildings and improvements	(820,752)	(46,004)	26,479	(840,277)
Furniture and equipment	(300,451)	(59,475)	60,141	(299,785)
Vehicles	(427,673)	(65,745)	39,177	(454,241)
Infrastructure	<u>(472,553)</u>	<u>(235,852)</u>	-	<u>(708,405)</u>
Total accumulated depreciation	<u>(2,395,353)</u>	<u>(432,747)</u>	<u>127,450</u>	<u>(2,700,650)</u>
Total capital assets, being depreciated net	<u>10,110,311</u>	<u>625,456</u>	<u>(45,873)</u>	<u>10,689,894</u>
Governmental activities, net	<u>\$ 12,003,920</u>	<u>\$ 2,563,003</u>	<u>\$ (45,873)</u>	<u>\$ 14,521,050</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 66,957
Transportation	313,311
Leisure time activity	<u>52,479</u>
Total depreciation expense - governmental activities	<u>\$ 432,747</u>

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity at December 31, 2015 was as follows:

<u>Business-type activities:</u>	Balance <u>12/31/2014</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2015</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 913,400	\$ -	\$ -	\$ 913,400
Total capital assets, not being depreciated	<u>913,400</u>	<u>-</u>	<u>-</u>	<u>913,400</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	12,570,812	1,925,114	-	14,495,926
Furniture and equipment	1,030,105	235,270	-	1,265,375
Vehicles	225,893	-	-	225,893
Infrastructure	55,077,879	48,279	(17,575)	55,108,583
Total capital assets, being depreciated	<u>68,904,689</u>	<u>2,208,663</u>	<u>(17,575)</u>	<u>71,095,777</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(3,249,779)	(250,402)	-	(3,500,181)
Furniture and equipment	(344,329)	(59,029)	-	(403,358)
Vehicles	(56,171)	(17,732)	-	(73,903)
Infrastructure	(17,961,528)	(1,508,001)	12,468	(19,457,061)
Total accumulated depreciation	<u>(21,611,807)</u>	<u>(1,835,164)</u>	<u>12,468</u>	<u>(23,434,503)</u>
Total capital assets, being depreciated, net	<u>47,292,882</u>	<u>373,499</u>	<u>(5,107)</u>	<u>47,661,274</u>
Business-type activities capital assets, net	<u>\$ 48,206,282</u>	<u>\$ 373,499</u>	<u>\$ (5,107)</u>	<u>\$ 48,574,674</u>

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

In fiscal years 2011, 2014 and 2015 the City entered into lease purchase agreements with a financial institution to assist in financing new trucks.

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements. Principal payments in 2015 totaled \$49,232. Principal and interest payments are made from the street construction and maintenance fund (a nonmajor governmental fund), the general fund, the water fund and the storm water fund.

Capital assets consisting of equipment have been capitalized in the amount of \$215,703. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2015 was \$22,315, leaving a book value of \$193,388.

The truck is being used by both enterprise and governmental activities and is capitalized in the amount of \$161,579 in the governmental activities, \$34,922 in the water fund and \$19,202 in the storm water fund.

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2015:

Year Ending <u>December 31,</u>	Governmental <u>Activities</u>	Water <u>Fund</u>	Storm Water <u>Fund</u>
2016	\$ 53,401	\$ 12,780	\$ 6,649
2017	53,702	12,780	6,649
2018	25,652	-	-
	<hr/>	<hr/>	<hr/>
Total minimum lease payments	132,755	25,560	13,298
Less: amount representing interest	<u>(4,133)</u>	<u>(651)</u>	<u>(358)</u>
Present value of future minimum lease payments	<u>\$ 128,622</u>	<u>\$ 24,909</u>	<u>\$ 12,940</u>

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

In a prior year and in the current year, the City entered into capital lease agreements for copiers. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$53,681, of this amount \$44,931 is recorded in the governmental activities and \$8,750 in the sewer fund. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2015 was \$14,494, leaving a current book value of \$39,187. A corresponding liability was recorded in the government-wide financial statements and in the sewer fund. Principal payments in 2015 totaled \$6,743 paid by the general fund, \$1,644 paid by the nonmajor governmental funds and \$1,644 paid by the sewer fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2015.

Year Ending <u>December 31,</u>	Governmental <u>Activities</u>	Sewer <u>Fund</u>
2016	\$ 8,864	\$ 2,026
2017	10,305	2,026
2018	10,303	2,025
2019	<u>3,554</u>	<u>-</u>
Total future minimum lease payments	33,026	6,077
Less: amount representing interest	<u>(2,812)</u>	<u>(521)</u>
Present value of net minimum lease payments	<u>\$ 30,214</u>	<u>\$ 5,556</u>

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - SHORT-TERM OBLIGATIONS

The City's short-term note activity for the year ended December 31, 2015, was as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/15</u>
Governmental activities:						
Bond anticipation note	5/8/2014	1.25%	\$ 150,000	\$ -	\$ (150,000)	\$ -
Bond anticipation note	5/7/2015	1.50%	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total			<u>\$ 150,000</u>	<u>\$ 75,000</u>	<u>\$ (150,000)</u>	<u>\$ 75,000</u>

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

NOTE 14 - LONG-TERM OBLIGATIONS

A. Governmental Activities

During 2015, the following changes occurred in the governmental activities long-term obligations:

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**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - LONG-TERM OBLIGATIONS –(Continued)

Governmental activities:	Interest Rate	Maturity Date	Restated Balance at 12/31/14	Additions	Reductions	Balance at 12/31/15	Amounts Due in One Year
<u>General obligation bonds</u>							
G.O. Municipal facilities bonds, 2015	5.50%	01/01/2030	\$ -	\$ 3,500,000	\$ -	\$ 3,500,000	\$ 230,000
Capital appreciation bonds, series 2004	11.03%	12/01/2019	65,000	-	-	65,000	-
Various purp. refunding bonds, series 2013	2.53%	12/01/2024	1,370,000	-	(155,000)	1,215,000	155,000
G.O. Various purpose bonds, 2008	3.00-4.50%	12/01/2028	3,180,000	-	(365,000)	2,815,000	375,000
Total general obligations bonds			<u>4,615,000</u>	<u>3,500,000</u>	<u>(520,000)</u>	<u>7,595,000</u>	<u>760,000</u>
<u>OPWC loans</u>							
#CC05B - Washington St.	0.00%	7/01/2020	234,700	-	(39,117)	195,583	39,117
#CC02D - North High St.	0.00%	7/01/2023	169,176	-	(18,798)	150,378	18,797
#CC03E - West Waterloo #1	0.00%	1/01/2024	285,782	-	(30,082)	255,700	30,082
#CC04F - West Waterloo #2	0.00%	1/01/2025	533,197	-	(50,780)	482,417	50,781
#CC04K - Columbus St	0.00%	1/01/2029	330,600	-	(22,800)	307,800	22,800
#CC06L - Thrush Drive	0.00%	1/01/2034	191,357	-	(9,813)	181,544	9,813
Total OPWC loans			<u>1,744,812</u>	<u>-</u>	<u>(171,390)</u>	<u>1,573,422</u>	<u>171,390</u>
<u>Other long-term obligations</u>							
Bond anticipation notes - series 2014	1.25%	5/8/2015	300,000	-	(300,000)	-	-
Bond anticipation notes - series 2015	1.50%	5/5/2016	-	225,000	-	225,000	225,000
Net pension liability			931,369	22,597	-	953,966	-
Compensated absences			62,900	68,616	(44,655)	86,861	64,285
Lease purchase agreement			36,382	125,198	(32,958)	128,622	52,907
Capital lease agreements			38,601	-	(8,387)	30,214	8,864
Total other long-term obligations			<u>1,369,252</u>	<u>441,411</u>	<u>(386,000)</u>	<u>1,424,663</u>	<u>351,056</u>
Total governmental activities			<u>\$ 7,729,064</u>	<u>\$ 3,941,411</u>	<u>\$ (1,077,390)</u>	<u>10,593,085</u>	<u>\$ 1,282,446</u>
Less: Unamortized discount on bond issuance						<u>(6,068)</u>	
Total on statement of net position						<u>\$ 10,587,017</u>	

Compensated Absences:

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Bond Anticipation Notes:

The City issued \$950,000 (\$225,000 in long-term governmental activities and \$75,000 in short-term governmental activities, \$370,000 in storm water and \$280,000 in sewer) in roadway, sewer and storm water improvement notes on May 7, 2015. The notes bear an interest rate of 1.50% and mature on May 5, 2016. The notes were issued to retire the bond anticipation notes series 2014.

The portion of the notes that were refinanced prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as a long-term liability. The portion of the 2015 note issues that will be retired on May 5, 2016 (see Note 22 for detail) have been reported as short-term notes payable (see Note 13 for detail). The notes are backed by the full faith and credit of the City.

Lease Purchase Agreements:

See Note 11 for detail on the lease purchase agreements.

Capital Lease Agreements:

See Note 12 for detail on the capital lease agreements.

General Obligation Bonds:

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

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

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

On April 15, 2015, the City issued general obligation refunding bonds totaling \$3,500,000 for the purpose of municipal facility improvements. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The bonds bear an annual interest rate of 5.50% and mature on January 1, 2030.

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

Year Ended <u>December 31,</u>	<u>General Obligation Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 760,000	\$ 206,260	\$ 966,260
2017	780,000	210,713	990,713
2018	679,243	306,817	986,060
2019	685,757	288,883	974,640
2020	515,000	142,844	657,844
2021-2025	2,535,000	481,315	3,016,315
2026-2030	<u>1,640,000</u>	<u>133,950</u>	<u>1,773,950</u>
Total	<u>\$ 7,595,000</u>	<u>\$ 1,770,782</u>	<u>\$ 9,365,782</u>

OPWC Loans:

Ohio Public Works Commission Loans (OPWC) have been issued for various street improvements. The loans are interest free and principal payments are made from the debt service fund.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ended <u>December 31,</u>	<u>Principal</u>
2016	\$ 171,390
2017	171,390
2018	171,390
2019	171,390
2020	171,388
2021-2025	553,260
2026-2030	128,865
2031 - 2034	<u>34,349</u>
Total	<u>\$ 1,573,422</u>

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2015, the City's total debt margin was \$17,757,528 and the unvoted debt margin was \$11,696,891.

B. Business-Type Activities

During 2015, the following changes occurred in the business-type long-term obligations:

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Restated Balance at 12/31/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/15</u>	<u>Due in One Year</u>
<u>Revenue bonds</u>							
Sanitary sewer refunding bonds	2.530%	12/01/2024	\$ 3,015,000	\$ -	\$ (270,000)	\$ 2,745,000	\$ 275,000
Total revenue bonds			<u>3,015,000</u>	<u>-</u>	<u>(270,000)</u>	<u>2,745,000</u>	<u>275,000</u>
<u>OPWC loans</u>							
#CC808 - Columbus & Washington	3.00%	1/01/2016	9,220	-	(6,102)	3,118	3,118
#CC01C - Sanitary sewer rehab	3.00%	1/01/2024	117,471	-	(10,860)	106,611	11,188
#CC15P - Tanktown Waterline and roadway improvement	0.00%	1/1/2044	<u>857,796</u>	<u>-</u>	<u>(29,078)</u>	<u>828,718</u>	<u>29,078</u>
Total OPWC loans			<u>984,487</u>	<u>-</u>	<u>(46,040)</u>	<u>938,447</u>	<u>43,384</u>
<u>OWDA loans</u>							
#4523 - Water treatment plant construction	2.75%	7/01/2027	2,543,452	-	(165,213)	2,378,239	169,788
#4672 - Well field & raw water line	2.75%	7/01/2027	599,728	-	(38,956)	560,772	40,035
#5772 - Wastewater system upgrades	2.12%	7/1/2031	<u>916,073</u>	<u>-</u>	<u>(45,279)</u>	<u>870,794</u>	<u>46,244</u>
Total OWDA loans			<u>4,059,253</u>	<u>-</u>	<u>(249,448)</u>	<u>3,809,805</u>	<u>256,067</u>
<u>Other long-term obligations:</u>							
Lease purchase agreement			54,123	-	(16,274)	37,849	18,537
Capital lease obligation			7,200	-	(1,644)	5,556	1,744
Net pension liability			528,661	11,143	-	539,804	-
Compensated absences			<u>117,897</u>	<u>130,682</u>	<u>(92,813)</u>	<u>155,766</u>	<u>85,115</u>
Total long-term obligations			<u>707,881</u>	<u>141,825</u>	<u>(110,731)</u>	<u>738,975</u>	<u>105,396</u>
<u>Bond anticipation notes</u>							
Bond anticipation notes - series 2014	1.25%	5/8/2015	800,000	-	(800,000)	-	-
Bond anticipation notes - series 2015	1.50%	5/5/2016	<u>-</u>	<u>650,000</u>	<u>-</u>	<u>650,000</u>	<u>650,000</u>
Total bond anticipation notes			<u>800,000</u>	<u>650,000</u>	<u>(800,000)</u>	<u>650,000</u>	<u>650,000</u>
Total business-type activities			<u>\$ 9,566,621</u>	<u>\$ 791,825</u>	<u>\$ (1,476,219)</u>	<u>\$ 8,882,227</u>	<u>\$ 1,329,847</u>

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Compensated Absences:

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

Revenue Bonds:

On December 17, 2013, the City issued \$3,280,000 in sanitary sewer system revenue refunding bonds. This bond issue, along with funds held in the debt service reserve fund account established by trust indenture, was used to refund a portion of the sewer mortgage revenue bonds issued on December 1, 2004. These bonds bear an interest rate of 2.53% and mature on December 1, 2024. Proceeds of \$3,738,454 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the sewer mortgage revenue bonds. As a result, \$3,590,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds have been removed from the City's financial statements. As of December 31, 2015, \$3,050,000 of the bonds were not matured and unpaid.

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

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

Year Ended December 31,	Revenue Refunding Bonds Payable		
	Principal	Interest	Total
2016	\$ 275,000	\$ 69,449	\$ 344,449
2017	285,000	62,491	347,491
2018	290,000	55,281	345,281
2019	295,000	47,944	342,944
2020	305,000	40,480	345,480
2021 - 2024	<u>1,295,000</u>	<u>82,984</u>	<u>1,377,984</u>
Total	<u>\$ 2,745,000</u>	<u>\$ 358,629</u>	<u>\$ 3,103,629</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to acquire, construct, and make operating improvements to the sanitary sewer collection and treatment system. The sewer revenue bonds are payable solely from sewer customer net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require approximately 32.0 percent of net revenues. The total principal and interest remaining to be paid on the sewer mortgage revenue bonds is \$3,103,629. Principal and interest paid for the current year and total customer net revenues were \$346,280 and \$1,082,183, respectively.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

OPWC Loans:

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

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

Year Ended December 31,	OPWC Loans Payable		
	Principal	Interest	Total
2016	\$ 43,384	\$ 3,162	\$ 46,546
2017	40,604	2,777	43,381
2018	40,952	2,429	43,381
2019	41,311	2,070	43,381
2020	41,680	1,700	43,380
2021-2025	192,577	2,873	195,450
2026-2030	145,389	-	145,389
2031-2035	145,390	-	145,390
2036-2040	145,389	-	145,389
2041 - 2044	101,771	-	101,771
Total	<u>\$ 938,447</u>	<u>\$ 15,011</u>	<u>\$ 953,458</u>

OWDA Loans:

The City has entered into debt financing arrangements through the Ohio Water Department Authority (OWDA) to fund construction projects. The amounts due to the OWDA are payable solely from sewer and water revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2015, the City has outstanding borrowings of \$3,809,805. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

The City has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through 2031. Annual principal and interest payments on the loans are expected to require 22.59 percent of net revenues and 10.45 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$3,809,805. Principal and interest paid for the current year were \$353,674, total net revenues were \$1,565,344 and total revenues were \$3,384,280.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ended December 31,	OWDA Loans Payable		
	Principal	Interest	Total
2016	\$ 256,067	\$ 97,607	\$ 353,674
2017	262,862	90,812	353,674
2018	269,839	83,835	353,674
2019	277,003	76,671	353,674
2020	284,359	69,315	353,674
2021 - 2025	1,539,215	229,153	1,768,368
2026 - 2030	857,010	43,720	900,730
2031	63,450	1,011	64,461
Total	<u>\$ 3,809,805</u>	<u>\$ 692,124</u>	<u>\$ 4,501,929</u>

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$190,227 for 2015.

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

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

	<u>OPERS</u>
Proportionate Share of the Net Pension Liability	\$1,493,770
Proportion of the Net Pension Liability	.01238500%
Pension Expense	\$178,436

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

	<u>OPERS</u>
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$63,762
Authority contributions subsequent to the measurement date	<u>190,227</u>
Total Deferred Outflows of Resources	<u><u>\$253,989</u></u>
Deferred Inflows of Resources	
Differences between expected and actual experience	<u><u>\$26,243</u></u>

\$190,227 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)

	OPERS
Year Ending December 31:	
2016	\$10,692
2017	10,692
2018	10,692
2019	5,443
Total	\$37,519

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust.

Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

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

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority's proportionate share of the net pension liability	\$2,826,133	\$1,493,770	\$437,314

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

Ohio Public Employees Retirement System

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

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

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

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - POSTRETIREMENT BENEFIT PLANS – (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00%.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$31,704, \$34,055, and \$16,882, respectively.

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

NOTE 17 - RISK MANAGEMENT POOLS

A. Central Ohio Health Care Consortium

On January 1, 1992, the City joined the Central Ohio Health Care Consortium (the "Pool"), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the Pool. The Pool consists of 10 political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. Dental, vision, and life insurance coverage is provided by Delta Dental, Vision Service Plan, and Standard Insurance Company, respectively. The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, and to purchase excess loss insurance for the Pool. The Pool also entered into an agreement with an independent plan supervisor to oversee the day to day operations of the Pool, such as administration and approval of submitted claims, the payment of operating expenses incurred by the Pool and the preparation of a monthly activity report which is presented to the Board. The funds held by the Pool are maintained in a bank trust account established for the sole purpose and benefit of the Pool operations. Financial information for the Pool can be obtained from Matthew Peoples, Chair, COHCC, 36 South High Street, Canal Winchester, Ohio 43110. The City's payments to the Pool for insurance coverage were \$457,628 during 2015.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 17 - RISK MANAGEMENT POOLS – (Continued)

The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, to establish and maintain sufficient claim reserves and to purchase excess loss insurance for the Pool. The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Pool for medical claims paid for an individual in excess of \$200,000 with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims paid in excess of \$12,622,553 to a maximum of \$1,000,000 annually. In the event that the losses of the Pool in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. No such loss has occurred in the past four years. In the event that an entity should withdraw from the plan, the withdrawing member is required to either reimburse the Pool for claims paid on its behalf or the member must pay the claims directly.

B. Central Ohio Risk Management Association

On October 1, 2014, the City joined the Central Ohio Risk Management Association Inc. (CORMA), a shared risk pool which is administered by eight cities in Central Ohio. Its present members in addition to the City of Canal Winchester are the Cities of Dublin, Grove City, Upper Arlington, Westerville, Groveport, Pickerington, and Powell. CORMA was formed as an Ohio non-profit corporation for the purpose of establishing the CORMA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Each member has a representative on the Board of Trustees that approves bylaws, establish policies and contract with service providers for the best savings. Member cities agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORMA. Coverage includes comprehensive general liability, property insurance, crime insurance, employee benefits liability, law enforcement liability, public officials' liability, automotive liability, and healthcare professional liability. Financial Statements for the pool can be obtained from Debra Miller, Treasurer, CORMA, 47 Hall Street, Powell, Ohio 43065. The City's payments to CORMA for insurance coverage were \$60,307 during 2015.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund:

Net Change in Fund Balance	
	<u>General fund</u>
Budget basis	\$ 283,104
Net adjustment for revenue accruals	(4,483)
Net adjustment for expenditure accruals	123,571
Net adjustment for other sources/uses	475,000
Adjustment for encumbrances	<u>233,632</u>
GAAP basis	<u>\$ 1,110,824</u>

NOTE 19 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants.

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 19 – CONTINGENCIES – (Continued)

The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2015.

B. Litigation

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

NOTE 20 - 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:

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**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 20 - FUND BALANCE – (Continued)

Fund balance	General Fund	Debt Service Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays	\$ 47,695	\$ -	\$ -	\$ 66	\$ 47,761
Materials & supplies inventory	18,225	-	-	59,611	77,836
Total nonspendable	<u>65,920</u>	<u>-</u>	<u>-</u>	<u>59,677</u>	<u>125,597</u>
Restricted:					
General government	-	-	-	759,320	759,320
Capital projects	-	-	1,866,269	74,096	1,940,365
Transportation	-	-	-	642,567	642,567
Leisure time activity	-	-	-	106,819	106,819
Total restricted	<u>-</u>	<u>-</u>	<u>1,866,269</u>	<u>1,582,802</u>	<u>3,449,071</u>
Assigned:					
Debt service	-	42,100	-	-	42,100
Capital outlay	3,000	-	-	-	3,000
Community environment	11,954	-	-	-	11,954
Security persons & property	2,287	-	-	-	2,287
Transportation	62,912	-	-	-	62,912
Leisure time activity	305	-	-	-	305
Subsequent year appropriations	132,103	-	-	-	132,103
General government	69,468	-	-	-	69,468
Total assigned	<u>282,029</u>	<u>42,100</u>	<u>-</u>	<u>-</u>	<u>324,129</u>
Unassigned	<u>4,471,158</u>	<u>-</u>	<u>-</u>	<u>(391,456)</u>	<u>4,079,702</u>
Total fund balances	<u>\$ 4,819,107</u>	<u>\$ 42,100</u>	<u>\$ 1,866,269</u>	<u>\$ 1,251,023</u>	<u>\$ 7,978,499</u>

NOTE 21 - 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:

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 21 - OTHER COMMITMENTS – (Continued)

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 233,632
Capital Improvement	2,191,839
Other governmental	<u>9,475</u>
Total governmental funds	<u>2,434,946</u>
Water	10,343
Sewer	135,147
Storm Water	<u>6,067</u>
Total proprietary funds	<u>151,557</u>
Total	<u><u>\$ 2,586,503</u></u>

NOTE 22 – SUBSEQUENT EVENTS

On May 5, 2016 the City issued \$775,000 bond anticipation note to retire the \$950,000 bond anticipation note issued on May 7, 2015. This note matures on May 4, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	2014	2013
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.012385%	0.012385%
City's proportionate share of the net pension liability	\$ 1,493,770	\$ 1,460,030
City's covered-employee payroll	\$ 1,702,142	\$ 1,688,962
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.76%	86.45%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%

Note: Information prior to 2013 was unavailable.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>			
Contractually required contribution	\$ 190,227	\$ 204,257	\$ 219,565
Contributions in relation to the contractually required contribution	<u>(190,227)</u>	<u>(204,257)</u>	<u>(219,565)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,585,225	\$ 1,702,142	\$ 1,688,962
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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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 Canal Winchester
Franklin County
36 South High Street
Canal Winchester, Ohio 43110

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canal Winchester, Franklin County, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 9, 2017 wherein we noted the City adopted GASB Statement No. 68 and 71 as disclosed in Note 3A.

Internal Control over Financial Reporting

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

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Compliance and Other Matters

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

Purpose of this Report

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
June 9, 2017



Dave Yost • Auditor of State

CITY OF CANAL WINCHESTER

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 6, 2017**