

**CITY OF CANAL WINCHESTER**  
**FRANKLIN COUNTY**  
**REGULAR AUDIT**  
**JANUARY 1, 2020 – DECEMBER 31, 2020**





OHIO AUDITOR OF STATE  
KEITH FABER



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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, 2019 through December 31, 2020. 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 cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

August 05, 2021

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canal Winchester, Franklin County, Ohio, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Gender Road TIF Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 20 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding 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 other post-employment benefits and pension and other post-employment benefit contributions, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2021, 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 & Snow, Inc.*

Newark, Ohio  
June 17, 2021



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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, 2020. 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 2020 are as follows:

- The total net position of the City increased \$6,258,647 from 2019 net position. Net position of governmental activities increased \$4,320,621 or 16% while business-type activities increased 4% over 2019 net position, respectively.
- General revenues accounted for \$11,097,446 of total governmental activities revenue. Program specific revenues accounted for \$1,945,152 or 15% of total governmental activities revenue.
- The City had \$8,721,977 in expenses related to governmental activities; \$1,945,152 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$6,776,825 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$11,097,446.
- The general fund had revenues and other financing sources of \$13,321,366 and expenditures and other financing uses of \$12,504,009. The net increase in fund balance for the general fund was \$817,357 or 7%.
- The debt service fund had revenues and other financing sources of \$721,974 and expenditures of the debt service fund totaled \$607,775. The net increase in fund balance for the debt service fund was \$114,199 from prior year.
- The gender road tax increment financing fund had revenues of \$657,182 and expenditures of \$1,272,270. The net decrease in fund balance was \$615,088.

**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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)

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 2020?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Reporting the City's Most Significant Funds**

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds.

***Governmental Funds***

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

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

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

***Proprietary Funds***

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***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 2020 and 2019.

	<b>Net Position</b>					
	Governmental Activities 2020	Business-type Activities 2020	Governmental Activities 2019	Business-type Activities 2019	Total 2020	Total 2019
<b>Assets</b>						
Current and other assets	\$ 21,498,442	\$ 16,472,634	\$ 17,912,535	\$ 13,232,468	\$ 37,971,076	\$ 31,145,003
Nondepreciable capital assets	4,894,160	1,277,151	4,397,425	973,961	6,171,311	5,371,386
Depreciable capital assets, net	20,684,921	40,202,911	18,315,714	42,038,695	60,887,832	60,354,409
Capital assets, net	<u>25,579,081</u>	<u>41,480,062</u>	<u>22,713,139</u>	<u>43,012,656</u>	<u>67,059,143</u>	<u>65,725,795</u>
Total assets	<u>47,077,523</u>	<u>57,952,696</u>	<u>40,625,674</u>	<u>56,245,124</u>	<u>105,030,219</u>	<u>96,870,798</u>
<b>Deferred outflows of resources</b>	<u>542,779</u>	<u>293,387</u>	<u>875,763</u>	<u>472,183</u>	<u>836,166</u>	<u>1,347,946</u>
<b>Liabilities</b>						
Current and other liabilities	1,805,054	438,016	698,374	176,239	2,243,070	874,613
Long-term liabilities:						
Due within one year	1,254,074	769,130	1,928,179	723,493	2,023,204	2,651,672
Net pension liability	1,682,720	866,856	2,371,580	1,223,092	2,549,576	3,594,672
Net OPEB liability	1,252,217	645,082	1,213,970	625,380	1,897,299	1,839,350
Due in more than one year	<u>7,751,513</u>	<u>3,937,303</u>	<u>6,576,830</u>	<u>4,582,693</u>	<u>11,688,816</u>	<u>11,159,523</u>
Total liabilities	<u>13,745,578</u>	<u>6,656,387</u>	<u>12,788,933</u>	<u>7,330,897</u>	<u>20,401,965</u>	<u>20,119,830</u>
<b>Deferred inflows of resources</b>	<u>1,964,929</u>	<u>275,722</u>	<u>1,123,330</u>	<u>10,462</u>	<u>2,240,651</u>	<u>1,133,792</u>
<b>Net Position</b>						
Net investment in capital assets	15,706,338	36,926,029	14,401,460	37,962,912	52,632,367	52,364,372
Restricted:						
Capital projects	2,580,881	-	245,498	-	2,580,881	245,498
Transportation projects	1,273,578	-	3,267,153	-	1,273,578	3,267,153
Leisure time activity	784,388	-	326,839	-	784,388	326,839
Community environment	6,865	-	-	-	6,865	-
Unrestricted	<u>11,557,745</u>	<u>14,387,945</u>	<u>9,348,224</u>	<u>11,413,036</u>	<u>25,945,690</u>	<u>20,761,260</u>
Total net position	<u>\$ 31,909,795</u>	<u>\$ 51,313,974</u>	<u>\$ 27,589,174</u>	<u>\$ 49,375,948</u>	<u>\$ 83,223,769</u>	<u>\$ 76,965,122</u>

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The net pension liability (NPL) reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," are the larger liabilities reported by the City at December 31, 2020 and is which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows. Over time, net position can serve as a useful indicator of a government's financial position. At year-end, net position was \$83,223,769, which comprised \$31,909,795 and \$51,313,974 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 54% and 71% of total assets and deferred outflows of resources for the governmental activities and business-type activities, respectively. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, intangibles, construction in progress and infrastructure. The City's net investment in capital assets at December 31, 2020, were \$15,706,338 and \$36,926,029 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, \$4,645,712 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 \$11,557,745 may be used to meet the City's ongoing obligations to citizens and creditors.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
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As the preceding table illustrates, the most significant changes in net position were related to the City's net pension liability and net OPEB liability, and the related deferred inflows/outflows of resources. These amounts will fluctuate annually based on a number of factors including investment returns, actuarial assumptions used, and the City's proportionate share of the net pension and net OPEB cost. As a result many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB as follows:

	Governmental Activities	Busines-Type Activities
	<u>2020</u>	<u>2020</u>
Net position (with GASB 68 and GASB 75)	\$ 31,909,795	\$ 51,313,974
GASB 68 calculations:		
Add deferred inflows related to pension	356,941	183,879
Add net pension liability	1,682,720	866,856
Less deferred outflows related to pension	(268,629)	(138,385)
GASB 75 calculations:		
Add deferred inflows related to OPEB	178,284	91,843
Add net OPEB liability	1,252,217	645,082
Less deferred outflows related to OPEB	<u>(198,280)</u>	<u>(102,144)</u>
Net position (without GASB 68 and GASB 75)	<u>\$ 34,913,048</u>	<u>\$ 52,861,105</u>

The table on the following page provides a summary of the revenues and expenses and other changes in the City's net position for 2020 compared to 2019.

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**CITY OF CANAL WINCHESTER  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Change in Net Position**

	Governmental Activities 2020	Business-type Activities 2020	Governmental Activities 2019	Business-type Activities 2019	Total 2020	Total 2019
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 1,265,698	\$ 7,253,251	\$ 1,606,548	\$ 6,417,641	\$ 8,518,949	\$ 8,024,189
Operating grants and contributions	579,454	-	600,109	-	579,454	600,109
Capital grants and contributions	100,000	-	573,412	-	100,000	573,412
<b>Total program revenues</b>	<b>1,945,152</b>	<b>7,253,251</b>	<b>2,780,069</b>	<b>6,417,641</b>	<b>9,198,403</b>	<b>9,197,710</b>
General revenues:						
Property and other local taxes	512,970	-	546,303	-	512,970	546,303
Income taxes	8,160,488	-	7,455,910	-	8,160,488	7,455,910
Lodging taxes	67,159	-	94,600	-	67,159	94,600
Payment in lieu of taxes	926,439	-	466,347	-	926,439	466,347
Grants and entitlements	150,544	-	206,137	-	150,544	206,137
Gain on sale of capital assets	654,080	-	-	-	654,080	-
Investment earnings	236,989	-	575,588	-	236,989	575,588
Contributions and donations	345,000	-	57,510	-	345,000	57,510
Other	43,777	695	222,165	7,975	44,472	230,140
<b>Total general revenues</b>	<b>11,097,446</b>	<b>695</b>	<b>9,624,560</b>	<b>7,975</b>	<b>11,098,141</b>	<b>9,632,535</b>
<b>Total revenues</b>	<b>13,042,598</b>	<b>7,253,946</b>	<b>12,404,629</b>	<b>6,425,616</b>	<b>20,296,544</b>	<b>18,830,245</b>
Program Expenses:						
General government	2,960,438	-	3,326,194	-	2,960,438	3,326,194
Security of persons and property	1,251,168	-	1,354,257	-	1,251,168	1,354,257
Public health and welfare	148,356	-	144,750	-	148,356	144,750
Transportation	2,771,875	-	1,779,243	-	2,771,875	1,779,243
Community environment	848,095	-	822,837	-	848,095	822,837
Leisure time activity	483,939	-	611,407	-	483,939	611,407
Interest and fiscal charges	258,106	-	271,098	-	258,106	271,098
Sewer operating	-	2,844,563	-	2,666,612	2,844,563	2,666,612
Water operating	-	1,902,206	-	2,012,076	1,902,206	2,012,076
Storm water operating	-	569,151	-	437,789	569,151	437,789
<b>Total expenses</b>	<b>8,721,977</b>	<b>5,315,920</b>	<b>8,309,786</b>	<b>5,116,477</b>	<b>14,037,897</b>	<b>13,426,263</b>
Increase (decrease) in net position	4,320,621	1,938,026	4,094,843	1,309,139	6,258,647	5,403,982
Net position beginning of year	27,589,174	49,375,948	23,494,331	48,066,809	76,965,122	71,561,140
<b>Net position end of year</b>	<b>\$ 31,909,795</b>	<b>\$ 51,313,974</b>	<b>\$ 27,589,174</b>	<b>\$ 49,375,948</b>	<b>\$ 83,223,769</b>	<b>\$ 76,965,122</b>



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(UNAUDITED)

**Governmental Activities**

Governmental activities net position increased \$4,320,621 which is a result of higher general revenues, specifically income taxes and other revenues.

Security of persons and property, which primarily supports the operations of the Fairfield County Sheriff's department, was \$1,251,168 or 14% of total City expenses. General government expenses totaled \$2,960,438 and were partially funded by \$977,474 in direct charges to users of the services.

The State government contributed to the City a total of \$579,454 in operating grants and contributions and \$100,000 in capital grants and contributions. These revenues are restricted to transportation and leisure time activity purposes.

General revenues totaled \$11,097,446 and primarily consist of property and income tax revenue of \$8,673,458.

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 2020 compared to 2019. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

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

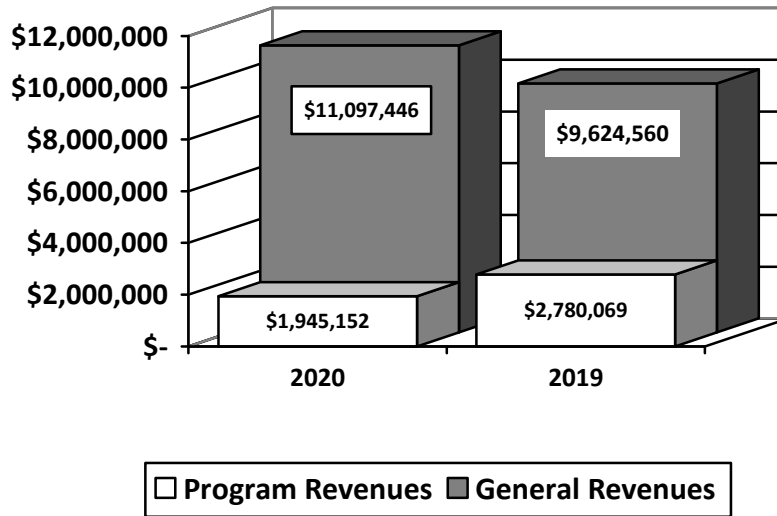
	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 2,960,438	\$ 1,982,964	\$ 3,326,194	\$ 2,139,968
Security of persons & property	1,251,168	1,251,168	1,354,257	1,354,257
Public health and welfare	148,356	148,356	144,750	143,130
Transportation	2,771,875	2,094,850	1,779,243	527,158
Community environment	848,095	848,095	822,837	822,837
Leisure time activity	483,939	193,286	611,407	271,269
Interest and fiscal charges	258,106	258,106	271,098	271,098
	<u>\$ 8,721,977</u>	<u>\$ 6,776,825</u>	<u>\$ 8,309,786</u>	<u>\$ 5,529,717</u>
Total				

The chart below illustrates the City's program revenues versus general revenues for 2020 and 2019.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(UNAUDITED)**

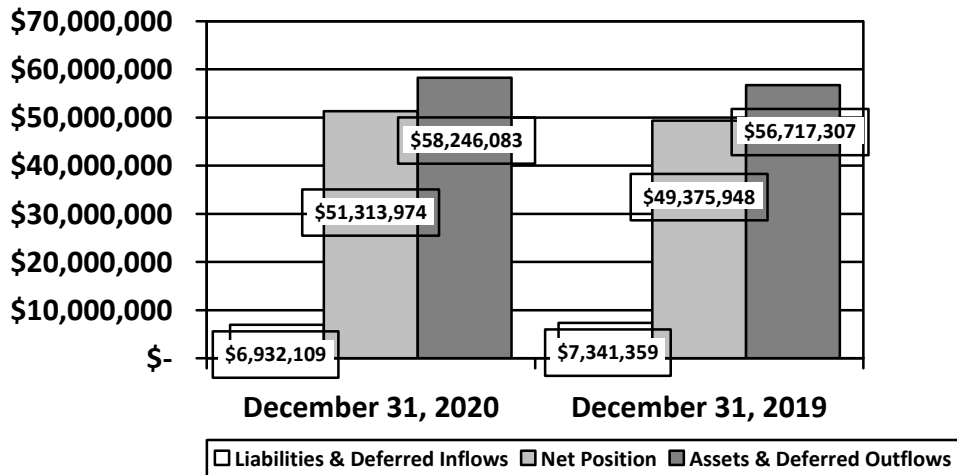
**Governmental Activities – General and Program Revenues**



**Business-type Activities**

Business-type activities include the water, sewer, and storm water enterprise funds. These programs had program revenues of \$7,253,251 and expenses of \$5,315,920 for 2020. The graph below shows the business-type activities assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position at year-end.

**Net Position in Business - Type Activities**



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(UNAUDITED)

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

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

**Governmental Funds**

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

The City's governmental funds reported a combined fund balance of \$16,619,308 which is \$1,002,990 higher than last year's total of \$15,616,318. The schedule below indicates the fund balances and the total change in fund balances for all major and non-major governmental funds.

	Fund Balances 12/31/2020	Fund Balances 12/31/2019	Increase (Decrease)
Major funds:			
General fund	\$ 12,597,807	\$ 11,780,450	\$ 817,357
Debt service fund	172,767	58,568	114,199
Gender road tif fund	(638,198)	(23,110)	(615,088)
Other nonmajor governmental funds	4,486,932	3,800,410	686,522
Total	<u>\$ 16,619,308</u>	<u>\$ 15,616,318</u>	<u>\$ 1,002,990</u>

**General Fund**

The City's general fund balance increased \$817,357. The table that follows assists in illustrating the revenues of the general fund.

	2020 Amount	2019 Amount	Percentage Change
<b>Revenues</b>			
Taxes	\$ 7,673,438	\$ 8,232,131	(6.79) %
Intergovernmental	140,503	170,909	(17.79) %
Special assessments	146,874	156,644	(6.24) %
Charges for services	168	171,268	(99.90) %
Fines, licenses and permits	1,121,957	1,237,095	(9.31) %
Rental income	2,585	14,870	(82.62) %
Investment income	227,577	541,481	(57.97) %
Other	39,663	125,435	(68.38) %
Total	<u>\$ 9,352,765</u>	<u>\$ 10,649,833</u>	(12.18) %

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(UNAUDITED)

The City's largest revenue source in the general fund was tax revenue, which represents 82% of all general fund revenue. Decreases in revenue are attributed to the pandemic experienced in 2020.

	2020 Amount	2019 Amount	Percentage Change
<b><u>Expenditures</u></b>			
General government	\$ 2,593,866	\$ 3,005,482	(13.70) %
Security of persons and property	1,251,168	1,354,257	(7.61) %
Public health and welfare	148,356	144,750	2.49 %
Transportation	1,107,550	937,683	18.12 %
Community environment	730,257	714,872	2.15 %
Leisure time activity	302,018	460,006	(34.34) %
Capital outlay	4,115,538	1,744,804	135.87 %
Debt service	1,380,003	119,494	1,054.87 %
Total	<u>\$ 11,628,756</u>	<u>\$ 8,481,348</u>	37.11 %

Capital outlay expenditures represent money spent on infrastructure and purchase of a new municipal building while the increase in debt service is attributed to the reporting of the City's outstanding bond anticipation note from long-term (2019) to short-term (2020).

***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 appropriations can be adjusted accordingly. Budgetary information is presented for the general fund noting actual revenues and other financing sources came in \$1,632,198 higher than the final budget and actual expenditures and other financing uses were \$1,595,879 less than the final budget.

***Debt Service Fund***

The debt service fund had revenues and other financing sources of \$721,974 and expenditures of the debt service fund totaled \$607,775. The net increase in fund balance for the debt service fund was \$114,199 from prior year.

***Gender Road TIF Fund***

The gender road tax increment financing fund had revenues of \$657,182 and expenditures of \$1,272,270. The net decrease in fund balance was \$615,088.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(UNAUDITED)

***Proprietary Funds***

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2020, the City had \$67,059,143 (net of accumulated depreciation) invested in land, construction in progress, intangibles, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Of this total, \$25,579,081 was reported in governmental activities and \$41,480,062 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2020 balances compared to 2019.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2019	2019
Land	\$ 3,335,460	\$ 4,077,540	\$ 913,400	\$ 913,400	\$ 4,248,860	\$ 4,990,940
Construction in progress	1,301,453	62,638	171,097	-	1,472,550	62,638
Intangibles	257,247	257,247	192,654	60,561	449,901	317,808
Land improvements	1,140,353	1,173,111	-	-	1,140,353	1,173,111
Building & improve.	6,816,586	4,541,974	9,657,105	9,924,833	16,473,691	14,466,807
Equipment	573,346	475,057	1,021,764	1,048,021	1,595,110	1,523,078
Vehicles	274,326	307,752	95,935	91,646	370,261	399,398
Infrastructure	11,880,310	11,817,820	29,428,107	30,974,195	41,308,417	42,792,015
Totals	<u>\$ 25,579,081</u>	<u>\$ 22,713,139</u>	<u>\$ 41,480,062</u>	<u>\$ 43,012,656</u>	<u>\$ 67,059,143</u>	<u>\$ 65,725,795</u>

***Debt Administration***

The City had the following short and long-term debt obligations outstanding at December 31, 2020 and 2019:

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(UNAUDITED)

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 4,200,000	\$ 4,730,000
OPWC loans	1,859,686	1,972,497
Bond anticipation notes	950,000	950,000
Lease purchase agreement	27,489	83,045
Land purchase agreement	528,241	601,474
Building purchase agreement	2,200,661	-
	<u>\$ 9,766,077</u>	<u>\$ 8,337,016</u>
	<u>Business-type Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenue bonds	\$ 1,295,000	\$ 1,600,000
OPWC loans	751,270	772,064
OWDA loans	2,459,676	2,744,034
	<u>\$ 4,505,946</u>	<u>\$ 5,116,098</u>

See Notes 11, 12 and 13 to the basic financial statements for detail on the City's debt obligations.

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

The City of Canal Winchester's financial condition has continued to improve over the past five years as city leaders continue to closely monitor the revenue and expenditures. Income tax collections, the city's primary source of General Fund revenue, were 7.8% over projections in 2019. The increased revenue has given the city the opportunity to plan for future construction projects, including upgrading its parks and amenities, and continue to provide a high level of service to its residents.

In March 2020, Ohio Governor Mike DeWine and the Ohio Department of Health issued a state-wide stay home order as a response to the rapidly spreading COVID-19. This order closed schools and all non-essential businesses, effectively temporarily shutting down the Ohio economy and drastically increasing unemployment claims. Over the course of the next 8 weeks, the order was modified to allow non-essential businesses to reopen under modified conditions. To date, a full opening has not been achieved and no date has been announced. Additionally, the Federal Government extended the filing and payment deadline for 2019 income taxes to July 15, 2020. As a result, municipal income tax collections will be directly affected in fiscal years 2020 and 2021, at a minimum. The full extent of the impact is not determinable at this point but is expected to result in a 5% to 10% loss in income tax revenue for the city.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(UNAUDITED)**

The Ohio Legislature passed legislation regarding the uniformity of municipal income taxes throughout the State in 2014, which became effective January 1, 2016. Additional legislation was passed in 2017 that created a centralized collection method for municipal net profit taxpayers effective for tax years beginning on or after January 1, 2018.

This move is seen by many as the first step towards centralized collection across the state and a detriment to the future of the city's control over its income taxes. The impact to income tax collections since the passage of this legislation has been minimal but is still of concern to the city as discussions at the State level in regards to local income taxes continue.

In addition, the following items were taken into consideration during preparation of the 2020 budget:

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

Unemployment rates in Ohio reached 16.8% in April 2020, a direct result of the effects of COVID-19. This is higher than the national average of 14.4% and an increase of 12.7% over the same period in 2019.

The 2020 Budget reflects the city's continued effort to practice conservative budgetary practices in order to preserve a solid financial position in the future and weather the effects of the COVID-19 shut down.

**Contacting the City's Financial Management**

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
DECEMBER 31, 2020

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and investments	\$ 18,922,897	\$ 14,348,233	\$ 33,271,130
Cash in segregated accounts	10,865	-	10,865
Receivables:			
Income taxes	1,678,166	-	1,678,166
Real and other taxes	544,578	-	544,578
Accounts	8,154	641,965	650,119
Payments in lieu of taxes	900,118	-	900,118
Accrued interest	32,355	-	32,355
Special assessments	118,376	-	118,376
Due from other governments	490,735	-	490,735
Internal balances	(1,409,000)	1,409,000	-
Prepayments	56,270	32,509	88,779
Materials and supplies inventory	144,928	40,927	185,855
Capital assets:			
Nondepreciable capital assets	4,894,160	1,277,151	6,171,311
Depreciable capital assets, net	20,684,921	40,202,911	60,887,832
Total capital assets, net	25,579,081	41,480,062	67,059,143
Total assets	47,077,523	57,952,696	105,030,219
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding	75,870	52,858	128,728
OPEB	198,280	102,144	300,424
Pension	268,629	138,385	407,014
Total deferred outflows of resources	542,779	293,387	836,166
Total assets and deferred outflows of resources	47,620,302	58,246,083	105,866,385
<b>Liabilities:</b>			
Accounts payable	376,364	241,633	617,997
Contracts payable	116,528	86,019	202,547
Retainage payable	66,008	14,926	80,934
Accrued wages and benefits payable	46,283	25,095	71,378
Due to other governments	226,202	36,320	262,522
Deposits held and due others	10,865	-	10,865
Accrued interest payable	12,804	34,023	46,827
Notes payable	950,000	-	950,000
Long-term liabilities:			
Due within one year	1,254,074	769,130	2,023,204
Due in more than one year:			
Net OPEB liability	1,252,217	645,082	1,897,299
Net pension liability	1,682,720	866,856	2,549,576
Other amount due in more than one year	7,751,513	3,937,303	11,688,816
Total liabilities	13,745,578	6,656,387	20,401,965
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year	529,586	-	529,586
Payment in lieu of tax revenue not available	900,118	-	900,118
Pension	356,941	183,879	540,820
OPEB	178,284	91,843	270,127
Total deferred inflows of resources	1,964,929	275,722	2,240,651
Total liabilities and deferred inflows of resources	15,710,507	6,932,109	22,642,616
<b>Net position:</b>			
Net investment in capital assets	15,706,338	36,926,029	52,632,367
Restricted for:			
Capital projects	2,580,881	-	2,580,881
Transportation	1,273,578	-	1,273,578
Leisure time activity	784,388	-	784,388
Community environment	6,865	-	6,865
Unrestricted	11,557,745	14,387,945	25,945,690
Total net position	\$ 31,909,795	\$ 51,313,974	\$ 83,223,769

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 2,960,438	\$ 977,474	\$ -	\$ -	\$ (1,982,964)	\$ -	\$ (1,982,964)
Security of persons and property	1,251,168	-	-	-	(1,251,168)	-	(1,251,168)
Public health and welfare	148,356	-	-	-	(148,356)	-	(148,356)
Transportation	2,771,875	97,571	579,454	-	(2,094,850)	-	(2,094,850)
Community environment	848,095	-	-	-	(848,095)	-	(848,095)
Leisure time activity	483,939	190,653	-	100,000	(193,286)	-	(193,286)
Interest and fiscal charges	258,106	-	-	-	(258,106)	-	(258,106)
<b>Total governmental activities</b>	<b>8,721,977</b>	<b>1,265,698</b>	<b>579,454</b>	<b>100,000</b>	<b>(6,776,825)</b>	<b>-</b>	<b>(6,776,825)</b>
<b>Business-type activities:</b>							
Water	1,902,206	3,121,730	-	-	-	1,219,524	1,219,524
Sewer	2,844,563	3,856,625	-	-	-	1,012,062	1,012,062
Storm water	569,151	274,896	-	-	-	(294,255)	(294,255)
<b>Total business-type activities</b>	<b>5,315,920</b>	<b>7,253,251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,937,331</b>	<b>1,937,331</b>
<b>Total primary government</b>	<b>\$ 14,037,897</b>	<b>\$ 8,518,949</b>	<b>\$ 579,454</b>	<b>\$ 100,000</b>	<b>(6,776,825)</b>	<b>1,937,331</b>	<b>(4,839,494)</b>
<b>General revenues:</b>							
Property taxes levied for:							
General purposes					512,970	-	512,970
Income taxes levied for:							
General purposes					8,160,488	-	8,160,488
Lodging taxes levied for:							
Special revenue					67,159	-	67,159
Payments in lieu of taxes					926,439	-	926,439
Grants and entitlements not restricted to specific programs					150,544	-	150,544
Gain on sale of capital assets					654,080	-	654,080
Investment earnings					236,989	-	236,989
Contributions and donations					345,000	-	345,000
Other					43,777	695	44,472
<b>Total general revenues</b>					<b>11,097,446</b>	<b>695</b>	<b>11,098,141</b>
Change in net position					4,320,621	1,938,026	6,258,647
<b>Net position at beginning of year</b>					<b>27,589,174</b>	<b>49,375,948</b>	<b>76,965,122</b>
<b>Net position at end of year</b>					<b>\$ 31,909,795</b>	<b>\$ 51,313,974</b>	<b>\$ 83,223,769</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020

	General	Debt Service	Gender Road TIF	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents	\$ 13,060,624	\$ 172,767	\$ 1,284,192	\$ 4,405,314	\$ 18,922,897
Cash in segregated accounts	10,865	-	-	-	10,865
Receivables:					
Income taxes	1,678,166	-	-	-	1,678,166
Real and other taxes	537,082	-	-	7,496	544,578
Accounts	7,350	-	-	804	8,154
Payments in lieu of taxes	-	-	592,422	307,696	900,118
Accrued interest	32,355	-	-	-	32,355
Special assessments	118,376	-	-	-	118,376
Due from other governments	112,689	-	-	378,046	490,735
Advances to other funds	425,000	-	-	-	425,000
Prepayments	55,225	-	-	1,045	56,270
Materials and supplies inventory	39,750	-	-	105,178	144,928
<b>Total assets</b>	<b>\$ 16,077,482</b>	<b>\$ 172,767</b>	<b>\$ 1,876,614</b>	<b>\$ 5,205,579</b>	<b>\$ 23,332,442</b>
<b>Liabilities:</b>					
Accounts payable	\$ 365,739	\$ -	\$ 3,096	\$ 7,529	\$ 376,364
Contracts payable	-	-	116,528	-	116,528
Retainage payable	-	-	66,008	-	66,008
Accrued wages and benefits payable	39,167	-	-	7,116	46,283
Advances from other funds	-	-	1,729,000	105,000	1,834,000
Due to other governments	207,588	-	7,758	10,856	226,202
Notes payable	950,000	-	-	-	950,000
Accrued interest payable	4,301	-	-	-	4,301
Deposits held and due others	10,865	-	-	-	10,865
<b>Total liabilities</b>	<b>1,577,660</b>	<b>-</b>	<b>1,922,390</b>	<b>130,501</b>	<b>3,630,551</b>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year	529,586	-	-	-	529,586
Accrued interest not available	28,494	-	-	-	28,494
Special assessments revenue not available	118,474	-	-	-	118,474
Payment in lieu of tax revenue not available	-	-	592,422	307,696	900,118
Income tax revenue not available	1,132,184	-	-	-	1,132,184
Nonexchange transactions not available	93,277	-	-	280,450	373,727
<b>Total deferred inflows of resources</b>	<b>1,902,015</b>	<b>-</b>	<b>592,422</b>	<b>588,146</b>	<b>3,082,583</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>3,479,675</b>	<b>-</b>	<b>2,514,812</b>	<b>718,647</b>	<b>6,713,134</b>
<b>Fund balances:</b>					
Nonspendable	519,975	-	-	106,223	626,198
Restricted	-	-	-	4,380,709	4,380,709
Assigned	2,449,541	172,767	-	-	2,622,308
Unassigned	9,628,291	-	(638,198)	-	8,990,093
<b>Total fund balances</b>	<b>12,597,807</b>	<b>172,767</b>	<b>(638,198)</b>	<b>4,486,932</b>	<b>16,619,308</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 16,077,482</b>	<b>\$ 172,767</b>	<b>\$ 1,876,614</b>	<b>\$ 5,205,579</b>	<b>\$ 23,332,442</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2020

<b>Total governmental fund balances</b>		\$	16,619,308
<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.			25,579,081
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(8,503)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			75,870
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	1,132,184	
Intergovernmental receivable		373,727	
Special assessments receivable		118,474	
Investment income receivable		28,494	
Total		1,652,879	1,652,879
The net pension and OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:			
Deferred outflows - pension		268,629	
Deferred inflows - pension		(356,941)	
Net pension liability		(1,682,720)	
Deferred outflows - OPEB		198,280	
Deferred inflows - OPEB		(178,284)	
Net OPEB liability		(1,252,217)	
Total		(3,003,253)	(3,003,253)
Long-term liabilities, including bonds, loans and lease payables, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(189,510)	
General obligation bonds payable		(4,200,000)	
OPWC loans payable		(1,859,686)	
Land purchase		(528,241)	
Building purchase		(2,200,661)	
Lease purchase payable		(27,489)	
Total		(9,005,587)	(9,005,587)
<b>Net position of governmental activities</b>		\$	31,909,795

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, 2020

	General	Debt Service	Gender Road TIF	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Municipal income taxes	\$ 7,151,463	\$ -	\$ -	\$ -	\$ 7,151,463
Real and other taxes	521,975	-	-	67,159	589,134
Charges for services	168	-	-	-	168
Fines, licenses and permits	1,121,957	-	-	11,211	1,133,168
Payments in lieu of taxes	-	-	657,182	269,257	926,439
Intergovernmental	140,503	-	-	565,400	705,903
Special assessments	146,874	-	-	-	146,874
Investment income	227,577	-	-	8,109	235,686
Rental income	2,585	-	-	-	2,585
Contributions and donations	-	-	-	345,000	345,000
Other	39,663	191	-	3,923	43,777
<b>Total revenues</b>	<b>9,352,765</b>	<b>191</b>	<b>657,182</b>	<b>1,270,059</b>	<b>11,280,197</b>
<b>Expenditures:</b>					
Current:					
General government	2,593,866	-	65,884	9,204	2,668,954
Security of persons and property	1,251,168	-	-	-	1,251,168
Public health and welfare	148,356	-	-	-	148,356
Transportation	1,107,550	-	-	373,706	1,481,256
Community environment	730,257	-	-	-	730,257
Leisure time activity	302,018	-	-	50,019	352,037
Capital outlay	4,115,538	-	1,206,386	104,378	5,426,302
Debt service:					
Principal retirement	1,231,370	499,811	-	189,758	1,920,939
Interest and fiscal charges	148,633	107,964	-	9,942	266,539
<b>Total expenditures</b>	<b>11,628,756</b>	<b>607,775</b>	<b>1,272,270</b>	<b>737,007</b>	<b>14,245,808</b>
Excess (deficiency) of revenues over (under) expenditures	(2,275,991)	(607,584)	(615,088)	533,052	(2,965,611)
<b>Other financing sources (uses):</b>					
Sale of assets	1,568,601	-	-	-	1,568,601
Capital lease transaction	2,400,000	-	-	-	2,400,000
Transfers in	-	721,783	-	300,000	1,021,783
Transfers (out)	(875,253)	-	-	(146,530)	(1,021,783)
<b>Total other financing sources (uses)</b>	<b>3,093,348</b>	<b>721,783</b>	<b>-</b>	<b>153,470</b>	<b>3,968,601</b>
Net change in fund balances	817,357	114,199	(615,088)	686,522	1,002,990
<b>Fund balances at beginning of year</b>	<b>11,780,450</b>	<b>58,568</b>	<b>(23,110)</b>	<b>3,800,410</b>	<b>15,616,318</b>
<b>Fund balances at end of year</b>	<b>\$ 12,597,807</b>	<b>\$ 172,767</b>	<b>\$ (638,198)</b>	<b>\$ 4,486,932</b>	<b>\$ 16,619,308</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

<b>Net change in fund balances - total governmental funds</b>	\$	1,002,990
<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	\$ 4,492,815	
Current year depreciation	<u>(711,426)</u>	
Total		3,781,389
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(915,447)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,108,321
Proceeds of loans & long-term bond anticipation notes are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		(2,400,000)
Repayment of bond, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		1,920,939
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		178,752
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension expense in the statement of activities.		(309,285)
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued interest payable		(8,503)
Amortization of deferred amounts on refunding		(12,104)
Amortization of discounts		(4,914)
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>(21,517)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>4,320,621</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
Municipal income taxes	\$ 7,200,000	\$ 8,063,327	\$ 7,718,878	\$ (344,449)
Real and other taxes	625,000	478,774	520,779	42,005
Charges for services	141,500	175,000	168	(174,832)
Licenses, permits and fees	845,700	975,000	1,157,160	182,160
Intergovernmental	144,350	200,000	179,738	(20,262)
Special assessments	151,500	175,000	146,972	(28,028)
Investment income	225,000	235,000	205,155	(29,845)
Rental income	13,500	14,000	2,565	(11,435)
Other	42,000	42,000	11,559	(30,441)
<b>Total revenues</b>	<u>9,388,550</u>	<u>10,358,101</u>	<u>9,942,974</u>	<u>(415,127)</u>
<b>Expenditures:</b>				
Current:				
General government	3,408,638	2,879,167	2,806,374	72,793
Security of persons and property	1,464,783	1,391,346	1,365,726	25,620
Public health and welfare	155,100	160,100	148,356	11,744
Transportation	885,297	1,229,731	1,221,286	8,445
Community environment	912,015	873,807	782,718	91,089
Leisure time activity	669,627	399,344	321,952	77,392
Capital outlay	1,535,266	1,999,592	1,927,161	72,431
Debt service:				
Principal retirement	84,000	1,231,371	1,231,370	1
Interest and fiscal charges	17,500	144,371	144,332	39
<b>Total expenditures</b>	<u>9,132,226</u>	<u>10,308,829</u>	<u>9,949,275</u>	<u>359,554</u>
<b>Excess of revenues over (under) expenditures</b>	<u>256,324</u>	<u>49,272</u>	<u>(6,301)</u>	<u>(55,573)</u>
<b>Other financing sources (uses):</b>				
Note issuance	-	-	950,000	950,000
Advances in	540,000	540,000	40,000	(500,000)
Advances (out) and not repaid	(500,000)	(950,828)	-	950,828
Transfers (out)	(1,188,000)	(1,160,750)	(875,253)	285,497
Sale of assets	500	500	1,597,825	1,597,325
<b>Total other financing sources (uses)</b>	<u>(1,147,500)</u>	<u>(1,571,078)</u>	<u>1,712,572</u>	<u>3,283,650</u>
<b>Net change in fund balances</b>	(891,176)	(1,521,806)	1,706,271	3,228,077
<b>Fund balance at beginning of year</b>	9,873,916	9,873,916	9,873,916	-
<b>Prior year encumbrances appropriated</b>	693,854	693,854	693,854	-
<b>Fund balance at end of year</b>	<u>\$ 9,676,594</u>	<u>\$ 9,045,964</u>	<u>\$ 12,274,041</u>	<u>\$ 3,228,077</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENDER ROAD TIF FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Payments in lieu of taxes	\$ 317,000	\$ 651,000	\$ 657,182	\$ 6,182
Total revenues	<u>317,000</u>	<u>651,000</u>	<u>657,182</u>	<u>6,182</u>
<b>Expenditures:</b>				
Current:				
General government	45,500	73,500	18,126	55,374
Capital outlay	-	2,056,000	1,245,791	810,209
Total expenditures	<u>45,500</u>	<u>2,129,500</u>	<u>1,263,917</u>	<u>865,583</u>
Excess of revenues over (under) expenditures	<u>271,500</u>	<u>(1,478,500)</u>	<u>(606,735)</u>	<u>871,765</u>
<b>Other financing sources (uses):</b>				
Advances in	-	1,409,000	1,409,000	-
Advances (out) and not repaid	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(40,000)</u>	<u>1,369,000</u>	<u>1,369,000</u>	<u>-</u>
Net change in fund balances	231,500	(109,500)	762,265	871,765
<b>Fund balance at beginning of year</b>	<u>336,890</u>	<u>336,890</u>	<u>336,890</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 568,390</u>	<u>\$ 227,390</u>	<u>\$ 1,099,155</u>	<u>\$ 871,765</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2020

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 5,194,068	\$ 8,916,956	\$ 237,209	\$ 14,348,233
Receivables:				
Accounts	252,894	343,790	45,281	641,965
Prepayments	14,817	13,686	4,006	32,509
Materials and supplies inventory	31,346	9,581	-	40,927
<b>Total current assets</b>	<b>5,493,125</b>	<b>9,284,013</b>	<b>286,496</b>	<b>15,063,634</b>
Noncurrent assets:				
Advances to other funds	555,000	854,000	-	1,409,000
Capital assets:				
Land and construction in progress	1,010,092	267,059	-	1,277,151
Depreciable capital assets, net	12,096,760	20,723,571	7,382,580	40,202,911
<b>Total capital assets, net</b>	<b>13,106,852</b>	<b>20,990,630</b>	<b>7,382,580</b>	<b>41,480,062</b>
<b>Total assets</b>	<b>19,154,977</b>	<b>31,128,643</b>	<b>7,669,076</b>	<b>57,952,696</b>
<b>Deferred outflows of resources:</b>				
Unamortized deferred charges on debt refunding	-	52,858	-	52,858
OPEB	42,059	48,068	12,017	102,144
Pension	56,982	65,122	16,281	138,385
<b>Total deferred outflows of resources</b>	<b>99,041</b>	<b>166,048</b>	<b>28,298</b>	<b>293,387</b>
<b>Total assets and deferred outflows of resources</b>	<b>19,254,018</b>	<b>31,294,691</b>	<b>7,697,374</b>	<b>58,246,083</b>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	80,486	157,842	3,305	241,633
Contracts payable	26,795	59,224	-	86,019
Retainage payable	-	14,926	-	14,926
Accrued wages and benefits payable	10,324	11,752	3,019	25,095
Compensated absences payable - current	53,928	42,598	7,744	104,270
Due to other governments	27,624	7,220	1,476	36,320
Accrued interest payable	24,344	9,679	-	34,023
Revenue bonds payable	-	310,000	-	310,000
OWDA loans payable	240,525	51,386	-	291,911
OPWC loans payable	43,617	19,332	-	62,949
<b>Total current liabilities</b>	<b>507,643</b>	<b>683,959</b>	<b>15,544</b>	<b>1,207,146</b>
Long-term liabilities:				
Compensated absences payable	36,762	46,570	12,885	96,217
Revenue bonds payable	-	985,000	-	985,000
OWDA loans payable	1,589,645	578,120	-	2,167,765
OPWC loans payable	654,250	34,071	-	688,321
Net OPEB liability	265,622	303,568	75,892	645,082
Net pension liability	356,941	407,932	101,983	866,856
<b>Total long-term liabilities</b>	<b>2,903,220</b>	<b>2,355,261</b>	<b>190,760</b>	<b>5,449,241</b>
<b>Total liabilities</b>	<b>3,410,863</b>	<b>3,039,220</b>	<b>206,304</b>	<b>6,656,387</b>
<b>Deferred inflows of resources:</b>				
Pension	16,631	116,073	51,175	183,879
OPEB	477	61,891	29,475	91,843
<b>Total deferred inflows of resources</b>	<b>17,108</b>	<b>177,964</b>	<b>80,650</b>	<b>275,722</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>3,427,971</b>	<b>3,217,184</b>	<b>286,954</b>	<b>6,932,109</b>
<b>Net position:</b>				
Net investment in capital assets	10,552,020	18,991,429	7,382,580	36,926,029
Unrestricted	5,274,027	9,086,078	27,840	14,387,945
<b>Total net position</b>	<b>\$ 15,826,047</b>	<b>\$ 28,077,507</b>	<b>\$ 7,410,420</b>	<b>\$ 51,313,974</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Operating revenues:</b>				
Charges for services	\$ 1,724,659	\$ 2,266,377	\$ 274,896	\$ 4,265,932
Tap-in fees	1,397,071	1,590,248	-	2,987,319
Other operating revenues	159	536	-	695
Total operating revenues	<u>3,121,889</u>	<u>3,857,161</u>	<u>274,896</u>	<u>7,253,946</u>
<b>Operating expenses:</b>				
Personal services	364,192	661,188	228,890	1,254,270
Contract services	538,298	886,396	106,867	1,531,561
Materials and supplies	338,508	128,402	25,924	492,834
Depreciation	609,280	1,108,307	207,470	1,925,057
Total operating expenses	<u>1,850,278</u>	<u>2,784,293</u>	<u>569,151</u>	<u>5,203,722</u>
Operating income (loss)	<u>1,271,611</u>	<u>1,072,868</u>	<u>(294,255)</u>	<u>2,050,224</u>
<b>Nonoperating expenses:</b>				
Interest and fiscal charges	(51,928)	(53,953)	-	(105,881)
Loss on sale of capital assets	-	(6,317)	-	(6,317)
Total nonoperating expenses	<u>(51,928)</u>	<u>(60,270)</u>	<u>-</u>	<u>(112,198)</u>
Change in net position	1,219,683	1,012,598	(294,255)	1,938,026
<b>Net position at beginning of year</b>	<u>14,606,364</u>	<u>27,064,909</u>	<u>7,704,675</u>	<u>49,375,948</u>
<b>Net position at end of year</b>	<u>\$ 15,826,047</u>	<u>\$ 28,077,507</u>	<u>\$ 7,410,420</u>	<u>\$ 51,313,974</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, 2020

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 1,722,960	\$ 2,218,375	\$ 270,553	\$ 4,211,888
Cash received from tap-in fees	1,393,051	1,584,022	-	2,977,073
Cash received from other operations	756	536	-	1,292
Cash payments for personal services	(500,269)	(526,795)	(106,888)	(1,133,952)
Cash payments for contract services	(455,516)	(693,981)	(127,611)	(1,277,108)
Cash payments for materials and supplies	(346,061)	(120,370)	(26,034)	(492,465)
Net cash provided by operating activities	<u>1,814,921</u>	<u>2,461,787</u>	<u>10,020</u>	<u>4,286,728</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash payments for interfund loans	(555,000)	(854,000)	-	(1,409,000)
Net cash used in noncapital financing activities	<u>(555,000)</u>	<u>(854,000)</u>	<u>-</u>	<u>(1,409,000)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(106,860)	(278,424)	-	(385,284)
Principal retirement on revenue bonds	-	(305,000)	-	(305,000)
Principal retirement on OWDA loans	(234,044)	(50,314)	-	(284,358)
Principal retirement on OPWC loans	(14,539)	(6,255)	-	(20,794)
Interest and fiscal charges	(55,168)	(55,524)	-	(110,692)
Net cash used in capital and related financing activities	<u>(410,611)</u>	<u>(695,517)</u>	<u>-</u>	<u>(1,106,128)</u>
Net increase in cash and cash equivalents	849,310	912,270	10,020	1,771,600
Cash and cash equivalents at beginning of year	4,344,758	8,004,686	227,189	12,576,633
Cash and cash equivalents at end of year	<u>\$ 5,194,068</u>	<u>\$ 8,916,956</u>	<u>\$ 237,209</u>	<u>\$ 14,348,233</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 1,271,611	\$ 1,072,868	\$ (294,255)	\$ 2,050,224
Adjustments:				
Depreciation	609,280	1,108,307	207,470	1,925,057
Changes in assets, deferred outflows, liabilities and deferred inflows:				
(Increase) decrease in accounts receivable	(5,122)	(54,228)	(4,343)	(63,693)
Decrease (increase) in materials and supplies inventory	(7,216)	13,621	-	6,405
Increase in accrued wages and benefits	1,228	2,980	1,073	5,281
Increase in contracts payable	26,795	59,224	-	86,019
Increase in retainage payable	-	14,926	-	14,926
Increase (decrease) in accounts payable	49,373	106,663	558	156,594
Increase (decrease) in compensated absences payable	3,209	7,082	108	10,399
(Increase) decrease in deferred outflows of resources	91,938	65,852	7,510	165,300
Increase (decrease) in net pension liability	(217,357)	(131,063)	(7,816)	(356,236)
Increase (decrease) in net OPEB liability	(28,674)	27,665	20,711	19,702
Increase (decrease) in deferred inflows of resources	16,037	170,138	79,085	265,260
(Decrease) increase in due to other governments	5,577	(1,651)	(158)	3,768
Decrease (increase) in prepayments	(1,758)	(597)	77	(2,278)
Net cash provided by operating activities	<u>\$ 1,814,921</u>	<u>\$ 2,461,787</u>	<u>\$ 10,020</u>	<u>\$ 4,286,728</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2020

	<u>Custodial Fund</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 385
Cash in segregated accounts	<u>19,980</u>
Total assets	<u><u>\$ 20,365</u></u>
<b>Net position:</b>	
Restricted for individuals and other governments	<u>\$ 20,365</u>
Total net position	<u><u>\$ 20,365</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<b>Custodial Fund</b>
<b>Additions:</b>	
Fines, licenses and permits for other governments	\$ 115,120
Total additions	115,120
<b>Deductions:</b>	
Fines, licenses and permits distributed to other governments	108,449
Total deductions	108,449
Change in net position	6,671
<b>Net position at beginning of year</b>	13,694
<b>Net position at end of year</b>	\$ 20,365

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, 2020

**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, 2020

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

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

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

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

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

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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

**C. Fund Accounting**

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

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

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**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 custodial funds. The City has no trust funds. Custodial funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has one custodial fund which accounts for the City's Mayor's Court.

**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.



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

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

All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**E. Basis of Accounting**

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

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

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

***Deferred Inflows of Resources and Deferred Outflows of Resources*** - In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, payment in lieu of taxes, pension, OPEB, and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, interest, charges for services, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**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 custodial 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, 2020

**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 2020. The budgetary statement reflects the original and final appropriations as approved by Council.

*Encumbrances:*

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

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

**G. Cash and Cash Equivalents**

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

The City invested in STAR Ohio during 2020. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2020 amounted to \$227,577, which included \$135,679 assigned from other funds of the City.

**H. Inventories of Materials and Supplies**

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

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

The City’s infrastructure consists of culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities. All reported capital assets are depreciated except for land and intangibles. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

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

**J. Compensated Absences**

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates. The entire compensated absence liability is reported on the government-wide financial statements.

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

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

**L. Interfund Activity**

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

**M. Fund Balance**

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

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

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

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed.



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated (Finance Director) that authority by City Charter or ordinance. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The future appropriations amount assigned in the General Fund represents 2021 appropriations that exceed estimated resources.

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

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

**N. Estimates**

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

**O. Net Position**

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

**P. Prepayments**

Payments made to vendors for services that will benefit beyond December 31, 2020 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 2020.

**R. Fair Value**

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

**S. Contributions of Capital**

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

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2020, the City has applied GASB Statement No. 85, *“Postponement of the Effective Dates of Certain Authoritative Guidance”* to GASB Statement Nos. 87 and 89, which were originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relieve to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncement is postponed by one year and the City has elected delaying implementation until the year ended December 31, 2021:

- Statement No. 89, *“Accounting for Interest Cost before the End of a Construction Period”*

The following pronouncements are postponed by eighteen months and the City has elected delaying implementation until the year ended December 31, 2022:

- Statement No. 87, *“Leases”*
- Implementation Guide No. 2019-3, *“Leases”*

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

**B. Deficit Fund Balance**

Fund balances at December 31, 2020 included a deficit of \$638,198 in the Gender Road TIF fund. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within a ten year form the date of settlement, bonds and other obligations of a political subdivision of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2, above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);; and,
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one period.

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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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, \$19,980 and \$10,865 was on deposit for the City's mayor's court and healthcare account which was held outside of the City's treasury, respectively. 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, 2020, the carrying amount of all City deposits was \$23,019,993. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2020, \$22,389,188 of the City's bank balance of \$23,134,748 was exposed to custodial credit risk as discussed below, while \$745,560 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute.

Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the City's financial institution was approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

**D. Investments**

As of December 31, 2020, the City had the following investments and maturities:

Investment Type	Fair Value Hierarchy	Fair Value	Investment Maturities				
			6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FFCB	Level 2	\$ 1,300,460	\$ -	\$ -	\$ -	\$ -	\$ 1,300,460
FHLMC	Level 2	1,000,140	-	-	-	-	1,000,140
Municipal Bonds	Level 2	2,009,395	1,001,920	1,007,475	-	-	-
Negotiable CD's	Level 2	4,771,737	248,183	-	501,808	258,293	3,763,453
STAR Ohio	N/A	172,799	172,799	-	-	-	-
U.S. Govt. Money Market	N/A	1,027,686	1,027,686	-	-	-	-
Total		<u>\$ 10,282,217</u>	<u>\$ 2,450,588</u>	<u>\$ 1,007,475</u>	<u>\$ 501,808</u>	<u>\$ 258,293</u>	<u>\$ 6,064,053</u>

The weighted average maturity of investments is 2.31 years.

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

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

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

The securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2020:

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 1,300,460	12.65
FHLMC	1,000,140	9.73
Municipal Bonds	2,009,395	19.54
Negotiable CD's	4,771,737	46.41
STAR Ohio	172,799	1.68
U.S. Government money market	<u>1,027,686</u>	<u>9.99</u>
 Total	 <u>\$ 10,282,217</u>	 <u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2020:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$	23,019,993
Investments		10,282,217
Cash on hand		<u>150</u>
Total	<u>\$</u>	<u>33,302,360</u>
 <u>Cash and investments per statement of position</u>		
Governmental activities	\$	18,933,762
Business-type activities		14,348,233
Custodial fund		<u>20,365</u>
Total	<u>\$</u>	<u>33,302,360</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund balances at December 31, 2020, as reported on the fund statements as advances to/from other funds consist of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Gender road tif	\$ 320,000
General	Other governmental	105,000
Water	Gender road tif	555,000
Sewer	Gender road tif	854,000

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



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B. Interfund transfers for the fiscal year ended December 31, 2020, 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	\$ 721,783
General fund	Other governmental fund	153,470
Other governmental fund	Other governmental fund	146,530

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between other governmental funds were between nonmajor capital project funds for the purpose of leisure time activity improvements. All transfers made were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

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

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. 2020 public utility property taxes became a lien December 31, 2019, are levied after October 1, 2019, and are collected in 2020 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of 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, 2020 and for which there is an enforceable legal claim.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2020 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 2020 property tax receipts were based are as follows:

Real property tax	\$ 214,803,210
Public utility tangible personal property	<u>3,515,060</u>
Total assessed value	<u><u>\$ 218,318,270</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 Regional Income Tax Agency administers and collects income taxes for the City. Payments, net of collection fees, are remitted monthly for tax receipts received by the Regional Income Tax Agency 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, 2020. Income tax revenue for 2020 was \$7,151,463 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.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

PILOT revenue was \$926,439 in 2020 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, 2020, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue.

All intergovernmental receivables have been classified as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2020. A summary of the principal items of receivables reported on the statement of net position follows:

<b><u>Governmental activities:</u></b>	
Income taxes	\$ 1,678,166
Property and other local taxes	544,578
Payments in lieu of taxes	900,118
Accounts	8,154
Special assessments	118,376
Accrued interest	32,355
Due from other governments	490,735
<b><u>Business-type activities:</u></b>	
Accounts	641,965

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.

**NOTE 10 - CAPITAL ASSETS**

**A.** Governmental activities capital asset activity at December 31, 2020 was as follows:

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

<b><u>Governmental activities:</u></b>	Balance 12/31/19	Additions	Deductions	Balance 12/31/2020
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,077,540	\$ 172,441	\$ (914,521)	\$ 3,335,460
Construction in progress	62,638	1,301,453	(62,638)	1,301,453
Intangibles	257,247	-	-	257,247
Total capital assets, not being depreciated	<u>4,397,425</u>	<u>1,473,894</u>	<u>(977,159)</u>	<u>4,894,160</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,682,452	-	-	1,682,452
Buildings and improvements	5,765,982	2,400,000	-	8,165,982
Furniture and equipment	970,615	163,251	-	1,133,866
Vehicles	901,383	27,039	(21,224)	907,198
Infrastructure	13,707,601	491,269	-	14,198,870
Total capital assets, being depreciated	<u>23,028,033</u>	<u>3,081,559</u>	<u>(21,224)</u>	<u>26,088,368</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(509,341)	(32,758)	-	(542,099)
Buildings and improvements	(1,224,008)	(125,388)	-	(1,349,396)
Furniture and equipment	(495,558)	(64,962)	-	(560,520)
Vehicles	(593,631)	(59,539)	20,298	(632,872)
Infrastructure	(1,889,781)	(428,779)	-	(2,318,560)
Total accumulated depreciation	<u>(4,712,319)</u>	<u>(711,426)</u>	<u>20,298</u>	<u>(5,403,447)</u>
Total capital assets, being depreciated net	<u>18,315,714</u>	<u>2,370,133</u>	<u>(926)</u>	<u>20,684,921</u>
Governmental activities, net	<u>\$ 22,713,139</u>	<u>\$ 3,844,027</u>	<u>\$ (978,085)</u>	<u>\$ 25,579,081</u>

Depreciation expense was charged to governmental activities as follows:

<b><u>Governmental activities:</u></b>	
General government	\$ 88,541
Transportation	548,252
Leisure time activity	74,633
Total depreciation expense - governmental activities	<u>\$ 711,426</u>

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

**B.** Business-type activities capital asset activity at December 31, 2020 was as follows:

<b><u>Business-type activities:</u></b>	Balance <u>12/31/2019</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2020</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 913,400	\$ -	\$ -	\$ 913,400
Intangibles	60,561	132,093	-	192,654
Construction in progress	-	171,097	-	171,097
Total capital assets, not being depreciated	<u>973,961</u>	<u>303,190</u>	<u>-</u>	<u>1,277,151</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	14,495,926	-	-	14,495,926
Furniture and equipment	1,741,334	69,137	(7,500)	1,802,971
Vehicles	219,295	26,453	-	245,748
Infrastructure	56,547,456	-	-	56,547,456
Total capital assets, being depreciated	<u>73,004,011</u>	<u>95,590</u>	<u>(7,500)</u>	<u>73,092,101</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(4,571,093)	(267,728)	-	(4,838,821)
Furniture and equipment	(693,313)	(89,077)	1,183	(781,207)
Vehicles	(127,649)	(22,164)	-	(149,813)
Infrastructure	(25,573,261)	(1,546,088)	-	(27,119,349)
Total accumulated depreciation	<u>(30,965,316)</u>	<u>(1,925,057)</u>	<u>1,183</u>	<u>(32,889,190)</u>
Total capital assets, being depreciated, net	<u>42,038,695</u>	<u>(1,829,467)</u>	<u>(6,317)</u>	<u>40,202,911</u>
Business-type activities capital assets, net	<u>\$ 43,012,656</u>	<u>\$ (1,526,277)</u>	<u>\$ (6,317)</u>	<u>\$ 41,480,062</u>

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

In 2018, 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 from all funds in 2020 totaled \$55,556. Principal and interest payments are made from the street construction and maintenance fund, the state highway fund, the permissive fund, (nonmajor other governmental funds), and the general fund.

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

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2020:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2021	\$ <u>27,833</u>
Total minimum lease payments	27,833
Less: amount representing interest	<u>(344)</u>
Present value of future minimum lease payments	<u><u>\$ 27,489</u></u>

**NOTE 12 – NOTE PAYABLE**

The City issued a general obligation bond anticipation notes of \$950,000 at an interest rate of 2% due June 18, 2021 for the purpose of capital improvements.

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/20</u>
<b>Governmental activities:</b>						
Bond anticipation note	6/17/2020	2.00%	\$ -	\$ 950,000	\$ -	\$ 950,000
<b>Total</b>			<u>\$ -</u>	<u>\$ 950,000</u>	<u>\$ -</u>	<u>\$ 950,000</u>

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 13 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities**

During 2020, the following changes occurred in the governmental activities long-term obligations:

<b>Governmental activities:</b>	Interest <u>Rate</u>	Maturity <u>Date</u>	Balance at <u>12/31/19</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/20</u>	Amounts Due in <u>One Year</u>
<u>General obligation bonds</u>							
Refunding bonds, 2017	3.75%-4.5%	12/01/2028	\$ 1,270,000	\$ -	\$ (130,000)	\$ 1,140,000	\$ 130,000
G.O. Municipal facilities bonds, 2015	5.50%	01/01/2030	2,580,000	-	(230,000)	2,350,000	235,000
Various purp. refunding bonds, series 2013	2.53%	12/01/2024	880,000	-	(170,000)	710,000	170,000
Total general obligations bonds			<u>4,730,000</u>	<u>-</u>	<u>(530,000)</u>	<u>4,200,000</u>	<u>535,000</u>
<u>Long-Term Bond Anticipation Note</u>							
2019 Bond anticipation note	3.625	06/18/2020	950,000	-	(950,000)	-	-
Total bond anticipation notes			<u>950,000</u>	<u>-</u>	<u>(950,000)</u>	<u>-</u>	<u>-</u>
<u>OPWC loans - Direct Borrowings</u>							
#CC05B - Washington St.	0.00%	7/01/2020	39,115	-	(19,558)	19,557	19,557
#CC02D - North High St.	0.00%	7/01/2023	75,188	-	(9,399)	65,789	28,197
#CC03E - West Waterloo #1	0.00%	1/01/2024	135,372	-	(15,041)	120,331	45,123
#CC04F - West Waterloo #2	0.00%	1/01/2025	279,295	-	(25,390)	253,905	76,170
#CC04K - Columbus St	0.00%	1/01/2029	216,600	-	(11,400)	205,200	34,200
#CC06L - Thrush Drive	0.00%	1/01/2034	142,292	-	(4,907)	137,385	14,720
#CC11U - Gender Rd. Ph. IV	0.00%	01/01/2039	1,084,635	-	(27,116)	1,057,519	81,348
Total OPWC loans			<u>1,972,497</u>	<u>-</u>	<u>(112,811)</u>	<u>1,859,686</u>	<u>299,315</u>
<u>Other long-term obligations</u>							
Land purchase agreement - <i>Direct Borrowing</i>	3.00%	4/1/2027	601,474	-	(73,233)	528,241	74,925
Building purchase agreement - <i>Direct Borrowing</i>	4.00%	1/1/2030	-	2,400,000	(199,339)	2,200,661	207,433
Net pension liability			2,371,580	-	(688,860)	1,682,720	-
Net OPEB liability			1,213,970	38,247	-	1,252,217	-
Compensated absences			167,993	146,230	(124,713)	189,510	109,912
Lease purchase agreement - <i>Direct Borrowing</i>			83,045	-	(55,556)	27,489	27,489
Total other long-term obligations			<u>4,438,062</u>	<u>2,584,477</u>	<u>(1,141,701)</u>	<u>5,880,838</u>	<u>419,759</u>
Total governmental activities			<u>\$ 12,090,559</u>	<u>\$ 2,584,477</u>	<u>\$ (2,734,512)</u>	<u>\$ 11,940,524</u>	<u>\$ 1,254,074</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

Compensated Absences:

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

Lease Purchase Agreements:

See Note 11 for detail on the lease purchase agreements.

General Obligation Bonds:

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

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

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

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



**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

The reacquisition price exceeded the net carrying amount of the old debt by \$79,690 for governmental activities. This amount is presented as a deferred charge on refunding and amortized over the remaining life of the new debt. The economic gain resulting from this transaction was \$116,826. The following is a summary of the City's future annual debt service requirements for the general obligation bonds:

Year Ended <u>December 31,</u>	<u>General Obligation Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 535,000	\$ 103,459	\$ 638,459
2022	545,000	90,266	635,266
2023	555,000	76,841	631,841
2024	560,000	63,181	623,181
2025	380,000	49,394	429,394
2026-2030	<u>1,625,000</u>	<u>110,910</u>	<u>1,735,910</u>
Total	<u>\$ 4,200,000</u>	<u>\$ 494,051</u>	<u>\$ 4,694,051</u>

**Land Purchase Agreement:**

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ended <u>December 31,</u>	<u>Land Purchase Agreement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 74,925	\$ 15,010	\$ 89,935
2022	77,198	12,736	89,934
2023	79,541	10,394	89,935
2024	81,954	7,981	89,935
2025	84,440	5,495	89,935
2026-2027	<u>130,183</u>	<u>3,414</u>	<u>133,597</u>
Total	<u>\$ 528,241</u>	<u>\$ 55,030</u>	<u>\$ 583,271</u>

**OPWC Loans:**

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

<u>Year Ended December 31,</u>	<u>Principal</u>
2021	\$ 299,315
2022	186,506
2023	186,504
2024	152,668
2025	112,237
2026-2030	400,025
2031-2035	305,508
2036-2039	<u>216,923</u>
Total	<u>\$ 1,859,686</u>

**Building Purchase Agreement:**

During 2020 the City purchased a commercial building for purposes of a future municipal building and secured a loan agreement with the property owner in the amount of \$2,400,000. The loan agreement bears interest of 3% and is payable in quarterly installments based on a ten year amortization schedule. The following is a summary of the City future annual debt service requirements to service this debt which will be paid from the General fund:

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ended December 31,	<u>Building Purchase Agreement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 207,433	\$ 84,941	\$ 292,374
2022	215,856	76,518	292,374
2023	224,620	67,754	292,374
2024	233,741	58,633	292,374
2025	243,232	49,142	292,374
2026-2030	<u>1,075,779</u>	<u>93,715</u>	<u>1,169,494</u>
Total	<u>\$ 2,200,661</u>	<u>\$ 430,703</u>	<u>\$ 2,631,364</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, 2020, the City’s total debt margin was \$17,946,185 and the unvoted debt margin was \$6,857,505.

**B. Business-Type Activities**

During 2020, the following changes occurred in the business-type 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, 2020

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/20</u>	<u>Due in One Year</u>
<u>Revenue bonds</u>							
Sanitary sewer refunding bonds	2.530%	12/01/2024	\$ 1,600,000	\$ -	\$ (305,000)	\$ 1,295,000	\$ 310,000
Total revenue bonds			<u>1,600,000</u>	<u>-</u>	<u>(305,000)</u>	<u>1,295,000</u>	<u>310,000</u>
<u>OPWC loans - Direct Borrowings</u>							
#CC01C - Sanitary sewer rehab	3.00%	1/01/2024	59,658	-	(6,255)	53,403	19,332
#CC15P - Tanktown Waterline	0.00%	1/1/2044	712,406	-	(14,539)	697,867	43,617
Total OPWC loans			<u>772,064</u>	<u>-</u>	<u>(20,794)</u>	<u>751,270</u>	<u>62,949</u>
<u>OWDA loans - Direct Borrowings</u>							
#4523 - Water treatment plant construction	2.75%	7/01/2027	1,670,356	-	(189,388)	1,480,968	194,632
#4672 - Well field & raw water line	2.75%	7/01/2027	393,858	-	(44,656)	349,202	45,893
#5772 - Sewer system upgrades	2.12%	7/1/2031	679,820	-	(50,314)	629,506	51,386
Total OWDA loans			<u>2,744,034</u>	<u>-</u>	<u>(284,358)</u>	<u>2,459,676</u>	<u>291,911</u>
<u>Other long-term obligations:</u>							
Net pension liability			1,223,092	-	(356,236)	866,856	-
Net OPEB liability			625,380	19,702	-	645,082	-
Compensated absences			190,088	200,487	(190,088)	200,487	104,270
Total long-term obligations			<u>2,038,560</u>	<u>220,189</u>	<u>(546,324)</u>	<u>1,712,425</u>	<u>104,270</u>
Total business-type activities			<u>\$ 7,154,658</u>	<u>\$ 220,189</u>	<u>\$ (1,156,476)</u>	<u>\$ 6,218,371</u>	<u>\$ 769,130</u>

Compensated Absences:

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

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
2021	\$ 310,000	\$ 32,764	\$ 342,764
2022	320,000	24,921	344,921
2023	330,000	16,825	346,825
2024	335,000	8,474	343,474
Total	<u>\$ 1,295,000</u>	<u>\$ 82,984</u>	<u>\$ 1,377,984</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to acquire, construct, and make operating improvements to the sanitary sewer collection and treatment system. The sewer revenue bonds are payable solely from sewer customer net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require approximately 19.11 percent of net revenues. The total principal and interest remaining to be paid on the sewer mortgage revenue bonds is \$1,377,984. Principal and interest paid for the current year and total customer net revenues were \$345,480 and \$2,182,820, respectively.

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:

*This space intentionally left blank.*

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ended <u>December 31,</u>	<u>OPWC Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 62,949	\$ 1,319	\$ 64,268
2022	42,454	927	43,381
2023	42,859	522	43,381
2024	35,992	106	36,098
2025	29,078	-	29,078
2026-2030	145,389	-	145,389
2031-2035	145,390	-	145,390
2036-2040	145,389	-	145,389
2041-2044	101,770	-	101,770
Total	<u>\$ 751,270</u>	<u>\$ 2,874</u>	<u>\$ 754,144</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, 2020, the City has outstanding borrowings of \$2,459,676. 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 8.7 percent of net revenues and 5.1 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$2,733,562. Principal and interest paid for the current year were \$353,674, total net revenues were \$4,065,156 and total operating revenues were \$6,979,050.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

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

Year Ended December 31,	OWDA Loans Payable		
	Principal	Interest	Total
2021	\$ 291,911	\$ 61,762	\$ 353,673
2022	299,667	54,006	353,673
2023	307,630	46,044	353,674
2024	315,806	37,869	353,675
2025	324,201	29,473	353,674
2026-2030	857,011	43,720	900,731
2031-2032	63,450	1,011	64,461
Total	<u>\$ 2,459,676</u>	<u>\$ 273,885</u>	<u>\$ 2,733,561</u>

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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

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

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

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

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

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



**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

	<u>State and Local</u>
<b>2020 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2020 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$270,837 for 2020. Of this amount, \$25,307 is reported as due to other governments.

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

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

	OPERS
<b>Traditional Plan</b>	
Proportion of the net pension liability prior measurement date	0.01312000%
Proportion of the net pension liability current measurement date	<u>0.01289900%</u>
Change in proportionate share	<u><u>-0.00022100%</u></u>
Proportionate share of the net pension liability - Traditional Plan	\$ 2,549,576
Pension expense	\$ 362,998

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
<b>Deferred Outflows of Resources</b>	
Changes of assumptions	\$136,177
City contributions subsequent to the measurement date	<u>270,837</u>
Total Deferred Outflows of Resources	<u><u>\$407,014</u></u>
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$32,236
Net difference between projected and actual earnings on pension plan investments	<u>508,584</u>
Total Deferred Inflows of Resources	<u><u>\$540,820</u></u>

\$270,837 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

	OPERS
Year Ending December 31:	
2021	(\$59,505)
2022	(164,252)
2023	21,059
2024	(201,945)
Total	(\$404,643)

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67:

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 1.40%, simple through 2020, then 2.15% simple
Investment rate of return:	
Current measurement date	7.20%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3.00% simple through 2018 then 2.15% simple to 1.40% simple through 2020 then 2.15% simple. Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan.

Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.20% for 2019.

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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	25.00 %	1.83 %
Domestic equities	19.00	5.75
Real estate	10.00	5.20
Private equity	12.00	10.70
International equities	21.00	7.66
Other investments	13.00	4.98
Total	<u>100.00 %</u>	<u>5.61 %</u>

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2019 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$4,205,074	\$2,549,576	\$1,061,330

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT OPEB PLANS**

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 15 – DEFINED BENEFIT OPEB PLANS- (Continued)**

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

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report.

Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans.



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**NOTE 15 – DEFINED BENEFIT OPEB PLANS- (Continued)**

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$0 for 2020. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.0137360%
Prior Measurement Date	<u>0.0140800%</u>
 Change in Proportionate Share	 <u><u>-0.0003440%</u></u>
 Proportionate Share of the Net OPEB Liability	 \$1,897,299
 OPEB Expense	 \$165,642

***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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	
Current measurement date	6.00 percent
Prior Measurement date	6.00 percent
Municipal Bond Rate	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate	7.5 percent, initial
Current measurement date	10.0 percent, initial
	3.5 percent ultimate 2030
Prior Measurement date	7.5 percent, initial
	3.25 percent ultimate 2029
Actuarial Cost Method	Individual Entry Age Normal

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

Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.70% for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	<u>100.00 %</u>	<u>4.55 %</u>

**Discount Rate** A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 15 – DEFINED BENEFIT OPEB PLANS- (Continued)**

Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$2,482,919	\$1,897,299	\$1,420,165

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

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too distant future, the health plan cost trend will decrease to a level at, or near, wage inflation.

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

On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$2,482,919	\$1,897,299	\$1,420,165

***Changes between Measurement Date and Reporting Date*** On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$ 51
Changes of assumptions	300,373
Total deferred outflows of resources	\$ 300,424
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$ 173,517
Net difference between projected and actual earnings on pension plan investments	96,610
inflows of resources	\$ 270,127

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

\$0 is reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2021	\$ 48,662
2022	22,789
2023	77
2024	(41,281)
2025	50
Total	\$ 30,297

**NOTE 16 - RISK MANAGEMENT POOLS**

**A. Central Ohio Health Care Consortium**

On January 1, 1992, the City joined the Central Ohio Health Care Consortium (the “Pool”), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the Pool.

The Pool consists of 11 political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. Dental, vision, and life insurance coverage is provided by Delta Dental, Vision Service Plan, and Standard Insurance Company, respectively. The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, and to purchase excess loss insurance for the Pool. The Pool also entered into an agreement with an independent plan supervisor to oversee the day to day operations of the Pool, such as administration and approval of submitted claims, the payment of operating expenses incurred by the Pool and the preparation of a monthly activity report which is presented to the Board. The funds held by the Pool are maintained in a bank trust account established for the sole purpose and benefit of the Pool operations. Financial information for the Pool can be obtained from Matthew Peoples, Chair, COHCC, 36 South High Street, Canal Winchester, Ohio 43110. The City’s payments to the Pool for insurance coverage were \$636,806 during 2020.

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.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 16 - RISK MANAGEMENT POOLS – (Continued)**

The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. In the event that the losses of the Pool in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. No such loss has occurred in the past four years. In the event that an entity should withdraw from the plan, the withdrawing member is required to either reimburse the Pool for claims paid on its behalf or the member must pay the claims directly.

**B. Central Ohio Risk Management Association**

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

Financial Statements for the pool can be obtained from Mike Turner, Treasurer, CORMA, 4035 Broadway, Grove City, Ohio 43123. The City's payments to CORMA for insurance coverage were \$59,018 during 2020.

**NOTE 17 - 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 - 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 and gender road tif fund:

	<b>Net Change in Fund Balance</b>	
	<u>General fund</u>	<u>Gender road tif fund</u>
Budget basis	\$ 1,706,271	\$ 762,265
Net adjustment for revenue accruals	(590,209)	-
Net adjustment for expenditure accruals	(2,401,332)	(193,391)
Net adjustment for other sources/uses	1,380,776	(1,369,000)
Adjustment for encumbrances	<u>721,851</u>	<u>185,038</u>
GAAP basis	<u>\$ 817,357</u>	<u>\$ (615,088)</u>

**NOTE 18 – TAX ABATEMENTS**

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



**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 18 – TAX ABATEMENTS- (Continued)**

***Real Estate Tax Abatements***

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

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

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

This return on investment formula considers the financial impact not only to the City but also other local governments in Franklin and Fairfield County that may be impacted. Below is the information relevant to the disclosure of these programs for the year ended December 31, 2020:

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated (Incentive Abated) for 2020 (In Actual Dollars)</u>	
<i>Community Reinvestment Area:</i>		
Manufacturing	\$	16,934
Retail		3,722
Construction		305
Professional Services		2,099
Distribution		1,614
Telecommunications		575
Restuarants		122
Residential		131
Total	<u>\$</u>	<u>25,502</u>

**Cooperative Economic Development Agreement (CEDA)**

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

The Agreement allows for development of a designated area with the sharing of services and an annual service fee between the parties. This agreement has been in part responsible for the development of industrial/commercial development known as Canal Pointe which currently includes 30 businesses with over 1,250 employees. The amount distributed under this agreement was \$361,519 for 2020.

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 19 - CONTINGENCIES**

**A. Grants**

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

The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2020.

**B. Litigation**

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

**NOTE 20 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the pension and other employee benefits plan in which the City participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 21 - FUND BALANCE**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 21 - FUND BALANCE – (Continued)**

Fund balance	General Fund	Debt Service Fund	Gender Road TIF Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays	\$ 55,225	\$ -	\$ -	\$ 1,045	\$ 56,270
Long-term loans	425,000	-	-	-	425,000
Materials & supplies inventory	39,750	-	-	105,178	144,928
Total nonspendable	<u>519,975</u>	<u>-</u>	<u>-</u>	<u>106,223</u>	<u>626,198</u>
Restricted:					
General government	-	-	-	2,431,249	2,431,249
Capital projects	-	-	-	126,920	126,920
Transportation	-	-	-	894,602	894,602
Community environment	-	-	-	192,885	192,885
Leisure time activity	-	-	-	735,053	735,053
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,380,709</u>	<u>4,380,709</u>
Assigned:					
Debt service	-	172,767	-	-	172,767
Community environment	15,355	-	-	-	15,355
Transportation	141,997	-	-	-	141,997
Leisure time activity	36,380	-	-	-	36,380
Subsequent year appropriations	2,240,828	-	-	-	2,240,828
General government	14,981	-	-	-	14,981
Total assigned	<u>2,449,541</u>	<u>172,767</u>	<u>-</u>	<u>-</u>	<u>2,622,308</u>
Unassigned	<u>9,628,291</u>	<u>-</u>	<u>(638,198)</u>	<u>-</u>	<u>8,990,093</u>
Total fund balances	<u>\$ 12,597,807</u>	<u>\$ 172,767</u>	<u>\$ (638,198)</u>	<u>\$ 4,486,932</u>	<u>\$ 16,619,308</u>

**NOTE 22 - OTHER COMMITMENTS**

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 721,851
Gender road tif	185,038
Other governmental	<u>192,131</u>
Total governmental funds	<u>1,099,020</u>
Water	202,084
Sewer	576,306
Storm Water	<u>4,163</u>
Total proprietary funds	<u>782,553</u>
Total	<u><u>\$ 1,881,573</u></u>

**NOTE 23 – SUBSEQUENT EVENTS**

The City issued various purpose general obligation bond anticipation notes totaling \$6,500,000 at an interest rate of 0.75% for the purpose of constructing and renovating new municipal facilities and for the purpose of acquiring of acquiring park land and constructing related appurtenances. The notes will mature on May 22, 2022.

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**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 SEVEN YEARS

<i>Traditional Plan:</i>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability	0.012899%	0.013120%	0.012993%
City's proportionate share of the net pension liability	\$ 2,549,576	\$ 3,594,672	\$ 2,038,352
City's covered-employee payroll	\$ 1,776,321	\$ 1,598,936	\$ 1,597,715
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	143.53%	224.82%	127.58%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	0.013344%	0.014281%	0.012385%	0.012385%
\$	3,030,195	\$ 2,473,649	\$ 1,493,770	\$ 1,460,030
\$	2,153,825	\$ 1,585,225	\$ 1,702,142	\$ 1,688,962
	140.69%	156.04%	87.76%	86.45%
	77.25%	81.08%	86.45%	86.36%

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

SCHEDULES OF SUPPLEMENTARY INFORMATION

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

LAST EIGHT YEARS (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Traditional Plan:</i>			
Contractually required contribution	\$ 270,837	\$ 248,685	\$ 223,851
Contributions in relation to the contractually required contribution	<u>(270,837)</u>	<u>(248,685)</u>	<u>(223,851)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,934,550	\$ 1,776,321	\$ 1,598,936
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%

(1) Information prior to 2013 is not available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 207,703	\$ 258,495	\$ 190,227	\$ 204,257	\$ 219,565
<u>(207,703)</u>	<u>(258,495)</u>	<u>(190,227)</u>	<u>(204,257)</u>	<u>(219,565)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,597,715	\$ 2,153,825	\$ 1,585,225	\$ 1,702,142	\$ 1,688,962
13.00%	12.00%	12.00%	12.00%	13.00%

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.0137360%	0.0140800%	0.0140100%	0.0139737%
City's proportionate share of the net OPEB liability	\$ 1,897,299	\$ 1,839,350	\$ 1,521,382	\$ 1,411,392
City's covered-employee payroll	\$ 1,776,321	\$ 1,598,936	\$ 1,597,715	\$ 2,153,825
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	106.81%	115.04%	95.22%	65.53%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.33%	54.14%	54.04%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ 17,201
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,201)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,934,550	\$ 1,776,321	\$ 1,598,936	\$ 1,597,715
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	1.08%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 36,939	\$ 31,704	\$ 34,055	\$ 16,882
<u>(36,939)</u>	<u>(31,704)</u>	<u>(34,055)</u>	<u>(16,882)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,153,825	\$ 1,585,225	\$ 1,702,142	\$ 1,688,962
1.72%	2.00%	2.00%	1.00%

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**PENSION**

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2020.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%. There were no changes for 2020.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2017-2020.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.0%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.

**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, 2020, 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 17, 2021, wherein we noted the City considered the financial impact of COVID-19 as disclosed in Note 20.

**Internal Control over Financial Reporting**

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Newark, Ohio  
June 17, 2021



**CITY OF CANAL WINCHESTER**  
**FRANKLIN COUNTY**  
**REGULAR AUDIT**  
**JANUARY 1, 2019 – DECEMBER 31, 2019**



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canal Winchester, Franklin County, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Gender Road TIF Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2019 the City adopted GASB Standard No. 84 "Fiduciary Activities". In addition, as discussed in Note 21 to the financial statements, during 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding these matters.

***Other Matters***

***Required Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2021, 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 & Snow, Inc.*

Newark, Ohio  
June 17, 2021

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2019 are as follows:

- The total net position of the City increased \$5,403,982 from 2018 restated net position. Net position of governmental activities increased \$4,094,843 or 17% over the restated 2018 net position of \$23,494,331 and net position of business-type activities increased \$1,309,139 or 3% from 2018 net position of \$48,066,809.
- General revenues accounted for \$9,624,560 of total governmental activities revenue. Program specific revenues accounted for \$2,780,069 or 22% of total governmental activities revenue.
- The City had \$8,309,786 in expenses related to governmental activities; \$2,780,069 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$5,529,717 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$9,624,560.
- The general fund had revenues and other financing sources of \$11,600,539 in 2019 and expenditures and other financing uses of \$9,700,598. The net increase in fund balance for the general fund was \$1,899,941 or 19%.
- The debt service fund had other financing sources of \$1,059,250 in 2019. The expenditures of the debt service fund totaled \$1,057,718 in 2019. The net increase in fund balance for the debt service fund was \$1,532 from prior year.
- The gender road tax increment financing fund had revenues of \$230,211 and expenditures of \$42,912. The net increase in fund balance was \$187,299.
- The Issue II fund had revenues and other financing sources of \$1,621,747 in 2019 and expenditures of \$1,559,085. The net increase in fund balance was \$62,662.

**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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds.

***Governmental Funds***

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

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

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

***Proprietary Funds***

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



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

***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 2019 and 2018.

	<b>Net Position</b>					
	Governmental Activities 2019	Business-type Activities 2019	Governmental Activities 2018 (Restated)	Business-type Activities 2018	Total 2019	Total 2018 (Restated)
<b>Assets</b>						
Current and other assets	\$ 17,912,535	\$ 13,232,468	\$ 14,935,686	\$ 10,543,290	\$ 31,145,003	\$ 25,478,976
Nondepreciable capital assets	4,397,425	973,961	4,883,338	1,165,297	5,371,386	6,048,635
Depreciable capital assets, net	18,315,714	42,038,695	14,766,555	43,625,174	60,354,409	58,391,729
Capital assets, net	22,713,139	43,012,656	19,649,893	44,790,471	65,725,795	64,440,364
Total assets	<u>40,625,674</u>	<u>56,245,124</u>	<u>34,585,579</u>	<u>55,333,761</u>	<u>96,870,798</u>	<u>89,919,340</u>
<b>Deferred outflows of resources</b>	<u>875,763</u>	<u>472,183</u>	<u>509,678</u>	<u>251,738</u>	<u>1,347,946</u>	<u>761,416</u>
<b>Liabilities</b>						
Current and other liabilities	698,374	176,239	415,080	209,161	874,613	624,241
Long-term liabilities:						
Due within one year	1,928,179	723,493	1,136,062	697,523	2,651,672	1,833,585
Net pension liability	2,371,580	1,223,092	1,365,695	672,657	3,594,672	2,038,352
Net OPEB liability	1,213,970	625,380	1,004,113	517,269	1,839,350	1,521,382
Due in more than one year	6,576,830	4,582,693	6,355,718	5,204,760	11,159,523	11,560,478
Total liabilities	<u>12,788,933</u>	<u>7,330,897</u>	<u>10,276,668</u>	<u>7,301,370</u>	<u>20,119,830</u>	<u>17,578,038</u>
<b>Deferred inflows of resources</b>	<u>1,123,330</u>	<u>10,462</u>	<u>1,324,258</u>	<u>217,320</u>	<u>1,133,792</u>	<u>1,541,578</u>
<b>Net Position</b>						
Net investment in capital assets	14,401,460	37,962,912	12,296,884	39,132,040	52,364,372	51,428,924
Restricted:						
Capital projects	245,498	-	206,415	-	245,498	206,415
Transportation projects	3,267,153	-	2,836,437	-	3,267,153	2,836,437
Leisure time activity	326,839	-	242,345	-	326,839	242,345
Community environment	-	-	9,442	-	-	9,442
Unrestricted	9,348,224	11,413,036	7,902,808	8,934,769	20,761,260	16,837,577
Total net position	<u>\$ 27,589,174</u>	<u>\$ 49,375,948</u>	<u>\$ 23,494,331</u>	<u>\$ 48,066,809</u>	<u>\$ 76,965,122</u>	<u>\$ 71,561,140</u>

**CITY OF CANAL WINCHESTER  
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The net pension liability (NPL) reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," are the larger liabilities reported by the City at December 31, 2019 and is which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce

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the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At year-end, net position was \$76,965,122, which comprised \$27,589,174 and \$49,375,948 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 55% and 76% of total assets and deferred outflows of resources for the governmental activities and business-type activities, respectively. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, intangibles, construction in progress and infrastructure. The City's net investment in capital assets at December 31, 2019, were \$14,401,460 and \$37,962,912 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, \$3,839,490 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 \$9,348,224 may be used to meet the City's ongoing obligations to citizens and creditors. The following table shows the changes in net position for 2019 and 2018.

**CITY OF CANAL WINCHESTER  
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**Change in Net Position**

	Governmental Activities 2019	Business-type Activities 2019	Governmental Activities 2018 (Restated)	Business-type Activities 2018	Total 2019	Total 2018 (Restated)
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 1,606,548	\$ 6,417,641	\$ 1,568,278	\$ 5,362,740	\$ 8,024,189	\$ 6,931,018
Operating grants and contributions	600,109	-	455,835	-	600,109	455,835
Capital grants and contributions	573,412	-	583,348	-	573,412	583,348
<b>Total program revenues</b>	<b>2,780,069</b>	<b>6,417,641</b>	<b>2,607,461</b>	<b>5,362,740</b>	<b>9,197,710</b>	<b>7,970,201</b>
General revenues:						
Property and other local taxes	546,303	-	506,203	-	546,303	506,203
Income taxes	7,455,910	-	7,375,176	-	7,455,910	7,375,176
Lodging taxes	94,600	-	59,667	-	94,600	59,667
Payment in lieu of taxes	466,347	-	463,810	-	466,347	463,810
Grants and entitlements	206,137	-	147,405	-	206,137	147,405
Investment earnings	575,588	-	93,948	-	575,588	93,948
Contributions and donations	57,510	-	55,000	-	57,510	55,000
Other	222,165	7,975	844,700	64,569	230,140	909,269
<b>Total general revenues</b>	<b>9,624,560</b>	<b>7,975</b>	<b>9,545,909</b>	<b>64,569</b>	<b>9,632,535</b>	<b>9,610,478</b>
<b>Total revenues</b>	<b>12,404,629</b>	<b>6,425,616</b>	<b>12,153,370</b>	<b>5,427,309</b>	<b>18,830,245</b>	<b>17,580,679</b>
Program Expenses:						
General government	3,326,194	-	2,693,182	-	3,326,194	2,693,182
Security of persons and property	1,354,257	-	999,519	-	1,354,257	999,519
Public health and welfare	144,750	-	135,838	-	144,750	135,838
Transportation	1,779,243	-	1,230,053	-	1,779,243	1,230,053
Community environment	822,837	-	678,035	-	822,837	678,035
Leisure time activity	611,407	-	553,196	-	611,407	553,196
Interest and fiscal charges	271,098	-	320,623	-	271,098	320,623
Sewer operating	-	2,666,612	-	2,292,663	2,666,612	2,292,663
Water operating	-	2,012,076	-	1,842,499	2,012,076	1,842,499
Storm water operating	-	437,789	-	320,688	437,789	320,688
<b>Total expenses</b>	<b>8,309,786</b>	<b>5,116,477</b>	<b>6,610,446</b>	<b>4,455,850</b>	<b>13,426,263</b>	<b>11,066,296</b>
Transfers	-	-	(24,305)	24,305	-	-
<b>Increase (decrease) in net position</b>	<b>4,094,843</b>	<b>1,309,139</b>	<b>5,518,619</b>	<b>995,764</b>	<b>5,403,982</b>	<b>6,514,383</b>
Net position beginning of year	23,494,331	48,066,809	17,975,712	47,071,045	71,561,140	65,046,757
<b>Net position end of year</b>	<b>\$ 27,589,174</b>	<b>\$ 49,375,948</b>	<b>\$ 23,494,331</b>	<b>\$ 48,066,809</b>	<b>\$ 76,965,122</b>	<b>\$ 71,561,140</b>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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**Governmental Activities**

Governmental activities net position increased \$4,094,843 in 2019 which is a result of higher general revenues, specifically income taxes and other revenues.

Security of persons and property, which primarily supports the operations of the Fairfield County Sheriff's department, was \$1,354,257 or 16% of total City expenses. General government expenses totaled \$3,326,194 and were partially funded by \$1,186,226 in direct charges to users of the services.

The State government contributed to the City a total of \$600,109 in operating grants and contributions and \$573,412 in capital grants and contributions. These revenues are restricted to transportation purposes.

General revenues totaled \$9,624,560 and primarily consist of property and income tax revenue of \$8,002,213.

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 2019 compared to 2018. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

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

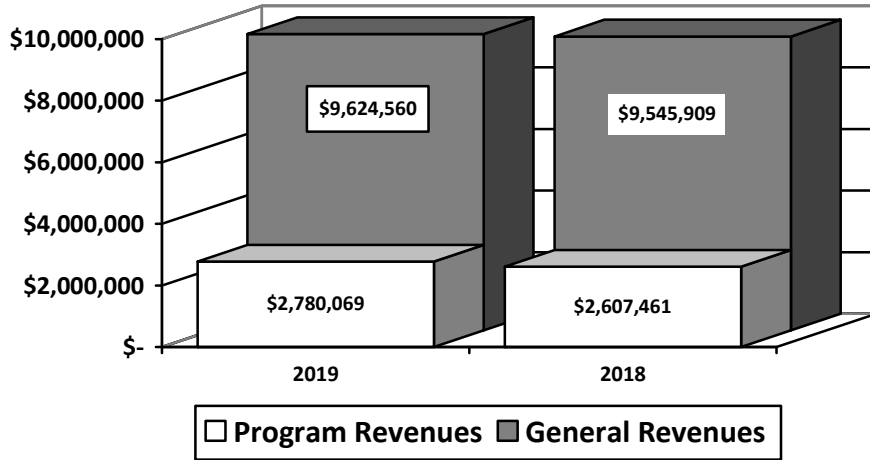
	Governmental Activities			
	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 3,326,194	\$ 2,139,968	\$ 2,693,182	\$ 1,465,182
Security of persons & property	1,354,257	1,354,257	999,519	999,519
Public health and welfare	144,750	143,130	135,838	133,658
Transportation	1,779,243	527,158	1,230,053	130,449
Community environment	822,837	822,837	678,035	678,035
Leisure time activity	611,407	271,269	553,196	275,519
Interest and fiscal charges	271,098	271,098	320,623	320,623
	<u>\$ 8,309,786</u>	<u>\$ 5,529,717</u>	<u>\$ 6,610,446</u>	<u>\$ 4,002,985</u>
Total	<u>\$ 8,309,786</u>	<u>\$ 5,529,717</u>	<u>\$ 6,610,446</u>	<u>\$ 4,002,985</u>

The chart below illustrates the City's program revenues versus general revenues for 2019 and 2018.

**CITY OF CANAL WINCHESTER  
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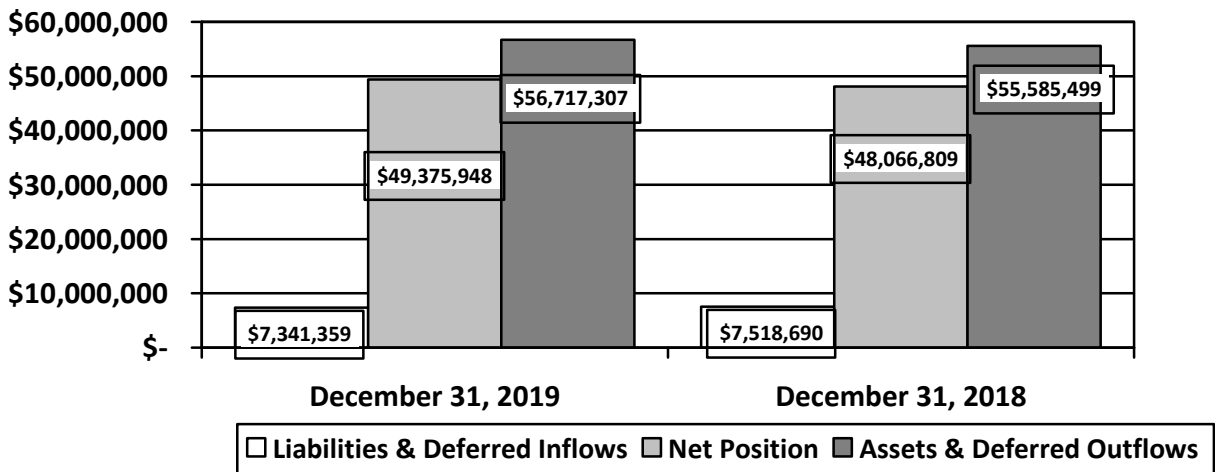
**Governmental Activities – General and Program Revenues**



**Business-type Activities**

Business-type activities include the water, sewer, and storm water enterprise funds. These programs had program revenues of \$6,417,641 and expenses of \$5,116,477 for 2019. The graph below shows the business-type activities assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position at year-end.

**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.

**CITY OF CANAL WINCHESTER  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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 \$15,616,318 which is \$2,740,441 higher than last year's restated total of \$12,875,877. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2019 for all major and non-major governmental funds.

	Fund Balances 12/31/2019	(Restated) Fund Balances 12/31/2018	Increase
Major funds:			
General fund	\$ 11,780,450	\$ 9,880,509	\$ 1,899,941
Debt service fund	58,568	57,036	1,532
Gender road tif fund	(23,110)	(210,409)	187,299
Issue II fund	92,430	29,768	62,662
Other nonmajor governmental funds	3,707,980	3,118,973	589,007
Total	<u>\$ 15,616,318</u>	<u>\$ 12,875,877</u>	<u>\$ 2,740,441</u>

**General Fund**

The City's general fund balance increased \$1,899,941. The table that follows assists in illustrating the revenues of the general fund.

	2019 Amount	2018 Amount	Percentage Change
<b>Revenues</b>			
Taxes	\$ 8,232,131	\$ 8,001,700	2.88 %
Intergovernmental	170,909	149,037	14.68 %
Special assessments	156,644	196,925	(20.45) %
Charges for services	171,268	147,202	16.35 %
Fines, licenses and permits	1,237,095	1,191,573	3.82 %
Rental income	14,870	20,050	(25.84) %
Investment income	541,481	77,286	600.62 %
Other	125,435	841,570	(85.10) %
Total	<u>\$ 10,649,833</u>	<u>\$ 10,625,343</u>	0.23 %

The City's largest revenue source in the general fund was tax revenue, which represents 77% of all general fund revenue. Investment income is attributed to the City increasing the level of investments. The table that follows assists in illustrating the expenditures of the general fund.

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	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 3,005,482	\$ 2,482,698	21.06 %
Security of persons and property	1,354,257	999,519	35.49 %
Public health and welfare	144,750	135,838	6.56 %
Transportation	937,683	538,420	74.15 %
Community environment	714,872	691,999	3.31 %
Leisure time activity	460,006	461,840	(0.40) %
Capital outlay	1,744,804	1,107,766	57.51 %
Debt service	119,494	212,692	(43.82) %
Total	<u>\$ 8,481,348</u>	<u>\$ 6,630,772</u>	<u>27.91 %</u>

Capital outlay expenditures represent money spent on infrastructure and other capital related projects while security of persons and property attributed to contract changes with Fairfield County Sheriff's Office and timing of payments between years.

***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 appropriations can be adjusted accordingly. Budgetary information is presented for the general fund noting actual revenues and other financing sources came in \$2,498,861 higher than the final budget and actual expenditures and other financing uses were \$1,886,278 less than the final budget.

***Debt Service Fund***

The debt service fund had other financing sources of \$1,059,250 in 2019. The expenditures of the debt service fund totaled \$1,057,718 in 2019. The net increase in fund balance for the debt service fund was \$1,532 from prior year.

***Gender Road TIF Fund***

The gender road tax increment financing fund had revenues of \$230,211 and expenditures of \$42,912. The net increase in fund balance was \$187,299.

***Issue II Fund***

The Issue II fund had revenues and other financing sources of \$1,621,747 in 2019 and expenditures of \$1,559,085. The net increase in fund balance was \$62,662.



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***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 2019, the City had \$65,725,795 (net of accumulated depreciation) invested in land, construction in progress, intangibles, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Of this total, \$22,713,139 was reported in governmental activities and \$43,012,656 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2019 balances compared to 2018.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,077,540	\$ 3,126,719	\$ 913,400	\$ 913,400	\$ 4,990,940	\$ 4,040,119
Construction in progress	62,638	1,499,372	-	191,336	62,638	1,690,708
Intangibles	257,247	257,247	60,561	60,561	317,808	317,808
Land improvements	1,173,111	1,045,392	-	-	1,173,111	1,045,392
Building & improve.	4,541,974	4,626,591	9,924,833	10,192,561	14,466,807	14,819,152
Equipment	475,057	513,817	1,048,021	1,039,203	1,523,078	1,553,020
Vehicles	307,752	377,268	91,646	114,645	399,398	491,913
Infrastructure	<u>11,817,820</u>	<u>8,203,487</u>	<u>30,974,195</u>	<u>32,278,765</u>	<u>42,792,015</u>	<u>40,482,252</u>
Totals	<u>\$ 22,713,139</u>	<u>\$ 19,649,893</u>	<u>\$ 43,012,656</u>	<u>\$ 44,790,471</u>	<u>\$ 65,725,795</u>	<u>\$ 64,440,364</u>

***Debt Administration***

The City had the following debt obligations outstanding at December 31, 2019 and 2018:

**CITY OF CANAL WINCHESTER  
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	<b>Governmental Activities</b>	
	2019	2018
General obligation bonds	\$ 4,730,000	\$ 5,435,757
OPWC loans	1,972,497	1,059,252
Bond anticipation notes	950,000	-
Lease purchase agreement	83,045	175,877
Land purchase agreement	601,474	672,550
Capital lease obligation	-	2,114
	\$ 8,337,016	\$ 7,345,550
	<b>Business-type Activities</b>	
	2019	2018
Revenue bonds	\$ 1,600,000	\$ 1,895,000
OPWC loans	772,064	813,507
OWDA loans	2,744,034	3,021,037
Lease purchase agreement	-	8,737
	\$ 5,116,098	\$ 5,738,281

See Notes 11 and 12 to the basic financial statements for detail on the City's debt obligations.

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

The City of Canal Winchester's financial condition has continued to improve over the past five years as city leaders continue to closely monitor the revenue and expenditures. Income tax collections, the city's primary source of General Fund revenue, were 7.8% over projections in 2019. The increased revenue has given the city the opportunity to plan for future construction projects, including upgrading its parks and amenities, and continue to provide a high level of service to its residents.

In March 2020, Ohio Governor Mike DeWine and the Ohio Department of Health issued a state-wide stay home order as a response to the rapidly spreading COVID-19. This order closed schools and all non-essential businesses, effectively temporarily shutting down the Ohio economy and drastically increasing unemployment claims. Over the course of the next 8 weeks, the order was modified to allow non-essential businesses to reopen under modified conditions. To date, a full opening has not been achieved and no date has been announced. Additionally, the Federal Government extended the filing and payment deadline for 2019 income taxes to July 15, 2020. As a result, municipal income tax collections will be directly affected in fiscal years 2020 and 2021, at a minimum. The full extent of the impact is not determinable at this point but is expected to result in a 5% to 10% loss in income tax revenue for the city.

The Ohio Legislature passed legislation regarding the uniformity of municipal income taxes throughout the State in 2014, which became effective January 1, 2016. Additional legislation was passed in 2017

**CITY OF CANAL WINCHESTER  
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that created a centralized collection method for municipal net profit taxpayers effective for tax years beginning on or after January 1, 2018. This move is seen by many as the first step towards centralized collection across the state and a detriment to the future of the city's control over its income taxes. The impact to income tax collections since the passage of this legislation has been minimal but is still of concern to the city as discussions at the State level in regards to local income taxes continue.

In addition, the following items were taken into consideration during preparation of the 2020 budget:

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

Unemployment rates in Ohio reached 16.8% in April 2020, a direct result of the effects of COVID-19. This is higher than the national average of 14.4% and an increase of 12.7% over the same period in 2019.

The 2020 Budget reflects the city's continued effort to practice conservative budgetary practices in order to preserve a solid financial position in the future and weather the effects of the COVID-19 shut down.

**Contacting the City's Financial Management**

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
DECEMBER 31, 2019

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and investments	\$ 14,665,451	\$ 12,576,633	\$ 27,242,084
Cash in segregated accounts	10,865	-	10,865
Receivables:			
Income taxes	1,283,850	-	1,283,850
Real and other taxes	549,870	-	549,870
Accounts	73,448	578,272	651,720
Payments in lieu of taxes	553,354	-	553,354
Accrued interest	30,910	-	30,910
Special assessments	135,571	-	135,571
Due from other governments	423,482	-	423,482
Prepayments	47,222	30,231	77,453
Materials and supplies inventory	138,512	47,332	185,844
Capital assets:			
Nondepreciable capital assets	4,397,425	973,961	5,371,386
Depreciable capital assets, net	18,315,714	42,038,695	60,354,409
Total capital assets, net	<u>22,713,139</u>	<u>43,012,656</u>	<u>65,725,795</u>
Total assets	<u>40,625,674</u>	<u>56,245,124</u>	<u>96,870,798</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding	87,975	66,354	154,329
OPEB	95,204	49,044	144,248
Pension	692,584	356,785	1,049,369
Total deferred outflows of resources	<u>875,763</u>	<u>472,183</u>	<u>1,347,946</u>
Total assets and deferred outflows of resources	<u>41,501,437</u>	<u>56,717,307</u>	<u>98,218,744</u>
<b>Liabilities:</b>			
Accounts payable	332,472	85,039	417,511
Retainage payable	62,638	-	62,638
Accrued wages and benefits payable	38,144	19,814	57,958
Due to other governments	236,786	32,552	269,338
Accrued interest payable	28,334	38,834	67,168
Long-term liabilities:			
Due within one year	1,928,179	723,493	2,651,672
Due in more than one year:			
Net OPEB liability	1,213,970	625,380	1,839,350
Net pension liability	2,371,580	1,223,092	3,594,672
Other amount due in more than one year	6,576,830	4,582,693	11,159,523
Total liabilities	<u>12,788,933</u>	<u>7,330,897</u>	<u>20,119,830</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year	528,265	-	528,265
Payment in lieu of tax revenue not available	553,354	-	553,354
Pension	38,417	7,499	45,916
OPEB	3,294	2,963	6,257
Total deferred inflows of resources	<u>1,123,330</u>	<u>10,462</u>	<u>1,133,792</u>
Total liabilities and deferred inflows of resources	<u>13,912,263</u>	<u>7,341,359</u>	<u>21,253,622</u>
<b>Net position:</b>			
Net investment in capital assets	14,401,460	37,962,912	52,364,372
Restricted for:			
Capital projects	245,498	-	245,498
Transportation	3,267,153	-	3,267,153
Leisure time activity	326,839	-	326,839
Unrestricted	9,348,224	11,413,036	20,761,260
Total net position	<u>\$ 27,589,174</u>	<u>\$ 49,375,948</u>	<u>\$ 76,965,122</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 3,326,194	\$ 1,186,226	\$ -	\$ -	\$ (2,139,968)	\$ -	\$ (2,139,968)
Security of persons and property	1,354,257	-	-	-	(1,354,257)	-	(1,354,257)
Public health and welfare	144,750	1,620	-	-	(143,130)	-	(143,130)
Transportation	1,779,243	78,564	600,109	573,412	(527,158)	-	(527,158)
Community environment	822,837	-	-	-	(822,837)	-	(822,837)
Leisure time activity	611,407	340,138	-	-	(271,269)	-	(271,269)
Interest and fiscal charges	271,098	-	-	-	(271,098)	-	(271,098)
Total governmental activities	<u>8,309,786</u>	<u>1,606,548</u>	<u>600,109</u>	<u>573,412</u>	<u>(5,529,717)</u>	<u>-</u>	<u>(5,529,717)</u>
<b>Business-type activities:</b>							
Water	2,012,076	2,669,663	-	-	-	657,587	657,587
Sewer	2,666,612	3,458,749	-	-	-	792,137	792,137
Storm water	437,789	289,229	-	-	-	(148,560)	(148,560)
Total business-type activities	<u>5,116,477</u>	<u>6,417,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,301,164</u>	<u>1,301,164</u>
Total primary government	<u>\$ 13,426,263</u>	<u>\$ 8,024,189</u>	<u>\$ 600,109</u>	<u>\$ 573,412</u>	<u>(5,529,717)</u>	<u>1,301,164</u>	<u>(4,228,553)</u>
<b>General revenues:</b>							
Property taxes levied for:							
					546,303	-	546,303
Income taxes levied for:							
					7,455,910	-	7,455,910
Lodging taxes levied for:							
					94,600	-	94,600
Payments in lieu of taxes							
					466,347	-	466,347
Grants and entitlements not restricted							
					206,137	-	206,137
Investment earnings							
					575,588	-	575,588
Contributions and donations							
					57,510	-	57,510
Other							
					222,165	7,975	230,140
Total general revenues before transfers					9,624,560	7,975	9,632,535
Change in net position					4,094,843	1,309,139	5,403,982
<b>Net position at beginning of year (Restated)</b>					23,494,331	48,066,809	71,561,140
<b>Net position at end of year</b>					<u>\$ 27,589,174</u>	<u>\$ 49,375,948</u>	<u>\$ 76,965,122</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	General	Debt Service	Gender Road TIF	Issue II	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Equity in pooled cash and cash equivalents	\$ 10,584,650	\$ 58,568	\$ 336,890	\$ 92,430	\$ 3,592,913	\$ 14,665,451
Cash in segregated accounts	10,865	-	-	-	-	10,865
Receivables:						
Income taxes	1,283,850	-	-	-	-	1,283,850
Real and other taxes	543,570	-	-	-	6,300	549,870
Accounts	72,460	-	-	-	988	73,448
Payments in lieu of taxes	-	-	287,522	-	265,832	553,354
Accrued interest	30,910	-	-	-	-	30,910
Special assessments	135,571	-	-	-	-	135,571
Interfund	100,000	-	-	-	-	100,000
Due from other governments	102,847	-	-	-	320,635	423,482
Advances to other funds	365,000	-	-	-	-	365,000
Prepayments	46,461	-	-	-	761	47,222
Materials and supplies inventory	50,225	-	-	-	88,287	138,512
<b>Total assets</b>	<b>\$ 13,326,409</b>	<b>\$ 58,568</b>	<b>\$ 624,412</b>	<b>\$ 92,430</b>	<b>\$ 4,275,716</b>	<b>\$ 18,377,535</b>
<b>Liabilities:</b>						
Accounts payable	\$ 309,771	\$ -	\$ -	\$ -	\$ 22,701	\$ 332,472
Retainage payable	62,638	-	-	-	-	62,638
Accrued wages and benefits payable	34,330	-	-	-	3,814	38,144
Interfund payable	-	-	-	-	100,000	100,000
Advances from other funds	-	-	360,000	-	5,000	365,000
Due to other governments	232,793	-	-	-	3,993	236,786
<b>Total liabilities</b>	<b>639,532</b>	<b>-</b>	<b>360,000</b>	<b>-</b>	<b>135,508</b>	<b>1,135,040</b>
<b>Deferred inflows of resources:</b>						
Property taxes levied for the next fiscal year	528,265	-	-	-	-	528,265
Delinquent property tax revenue not available	9,005	-	-	-	-	9,005
Accrued interest not available	27,191	-	-	-	-	27,191
Special assessments revenue not available	135,571	-	-	-	-	135,571
Payment in lieu of tax revenue not available	-	-	287,522	-	265,832	553,354
Income tax revenue not available	123,159	-	-	-	-	123,159
Nonexchange transactions not available	83,236	-	-	-	166,396	249,632
<b>Total deferred inflows of resources</b>	<b>906,427</b>	<b>-</b>	<b>287,522</b>	<b>-</b>	<b>432,228</b>	<b>1,626,177</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>1,545,959</b>	<b>-</b>	<b>647,522</b>	<b>-</b>	<b>567,736</b>	<b>2,761,217</b>
<b>Fund balances:</b>						
Nonspendable	461,686	-	-	-	89,048	550,734
Restricted	-	-	-	92,430	3,618,932	3,711,362
Assigned	674,199	58,568	-	-	-	732,767
Unassigned	10,644,565	-	(23,110)	-	-	10,621,455
<b>Total fund balances</b>	<b>11,780,450</b>	<b>58,568</b>	<b>(23,110)</b>	<b>92,430</b>	<b>3,707,980</b>	<b>15,616,318</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 13,326,409</b>	<b>\$ 58,568</b>	<b>\$ 624,412</b>	<b>\$ 92,430</b>	<b>\$ 4,275,716</b>	<b>\$ 18,377,535</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2019

<b>Total governmental fund balances</b>		\$	15,616,318
<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.			22,713,139
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(28,334)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			87,975
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	123,159	
Real and other taxes receivable		9,005	
Intergovernmental receivable		249,632	
Special assessments receivable		135,571	
Investment income receivable		27,191	
Total		544,558	544,558
The net pension and OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:			
Deferred outflows - pension		692,584	
Deferred inflows - pension		(38,417)	
Net pension liability		(2,371,580)	
Deferred outflows - OPEB		95,204	
Deferred inflows - OPEB		(3,294)	
Net OPEB liability		(1,213,970)	
Total		(2,839,473)	(2,839,473)
Long-term liabilities, including bonds, loans and lease payables, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(167,993)	
General obligation bonds payable		(4,730,000)	
Bond anticipation note payable		(950,000)	
OPWC loans payable		(1,972,497)	
Land purchase		(601,474)	
Lease purchase payable		(83,045)	
Total		(8,505,009)	(8,505,009)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>27,589,174</b>

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, 2019

	General	Debt Service	Gender Road TIF	Issue II	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Municipal income taxes	\$ 7,684,047	\$ -	\$ -	\$ -	\$ -	\$ 7,684,047
Real and other taxes	548,084	-	-	-	94,600	642,684
Charges for services	171,268	-	-	-	-	171,268
Fines, licenses and permits	1,237,095	-	-	-	8,467	1,245,562
Payments in lieu of taxes	-	-	230,211	-	236,136	466,347
Intergovernmental	170,909	-	-	537,112	601,720	1,309,741
Special assessments	156,644	-	-	-	-	156,644
Investment income	541,481	-	-	-	26,778	568,259
Rental income	14,870	-	-	-	-	14,870
Contributions and donations	-	-	-	-	57,510	57,510
Other	125,435	-	-	-	96,730	222,165
<b>Total revenues</b>	<b>10,649,833</b>	<b>-</b>	<b>230,211</b>	<b>537,112</b>	<b>1,121,941</b>	<b>12,539,097</b>
<b>Expenditures:</b>						
Current:						
General government	3,005,482	-	42,912	-	5,745	3,054,139
Security of persons and property	1,354,257	-	-	-	-	1,354,257
Public health and welfare	144,750	-	-	-	-	144,750
Transportation	937,683	-	-	-	292,331	1,230,014
Community environment	714,872	-	-	-	-	714,872
Leisure time activity	460,006	-	-	-	56,200	516,206
Capital outlay	1,744,804	-	-	1,559,085	192,279	3,496,168
Debt service:						
Principal retirement	99,259	819,647	-	-	124,263	1,043,169
Interest and fiscal charges	20,235	238,071	-	-	22,116	280,422
<b>Total expenditures</b>	<b>8,481,348</b>	<b>1,057,718</b>	<b>42,912</b>	<b>1,559,085</b>	<b>692,934</b>	<b>11,833,997</b>
Excess (deficiency) of revenues over (under) expenditures	2,168,485	(1,057,718)	187,299	(1,021,973)	429,007	705,100
<b>Other financing sources (uses):</b>						
Loan proceeds	-	-	-	1,084,635	-	1,084,635
Transfers in	-	1,059,250	-	-	160,000	1,219,250
Transfers (out)	(1,219,250)	-	-	-	-	(1,219,250)
Bond anticipation note proceeds	950,000	-	-	-	-	950,000
Premium on note proceeds	706	-	-	-	-	706
<b>Total other financing sources (uses)</b>	<b>(268,544)</b>	<b>1,059,250</b>	<b>-</b>	<b>1,084,635</b>	<b>160,000</b>	<b>2,035,341</b>
Net change in fund balances	1,899,941	1,532	187,299	62,662	589,007	2,740,441
<b>Fund balances at beginning of year (Restated)</b>	<b>9,880,509</b>	<b>57,036</b>	<b>(210,409)</b>	<b>29,768</b>	<b>3,118,973</b>	<b>12,875,877</b>
<b>Fund balances at end of year</b>	<b>\$ 11,780,450</b>	<b>\$ 58,568</b>	<b>\$ (23,110)</b>	<b>\$ 92,430</b>	<b>\$ 3,707,980</b>	<b>\$ 15,616,318</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

<b>Net change in fund balances - total governmental funds</b>	\$	2,740,441
 <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	\$ 3,695,203	
Current year depreciation	<u>(631,957)</u>	
Total		3,063,246
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(170,768)
Proceeds of loans & long-term bond anticipation notes are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		(2,034,635)
Repayment of bond, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		1,043,169
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		164,132
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension expense in the statement of activities.		(664,693)
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued interest payable		(7,268)
Amortization of deferred amounts on refunding		(12,104)
Amortization of discounts		(4,914)
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>(21,763)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>4,094,843</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal income taxes	\$ 6,900,000	\$ 6,900,000	\$ 7,435,145	\$ 535,145
Real and other taxes	510,000	510,000	548,750	38,750
Charges for services	130,250	130,250	171,268	41,018
Licenses, permits and fees	770,600	770,600	1,236,591	465,991
Intergovernmental	140,350	140,350	165,053	24,703
Special assessments	151,500	151,500	156,644	5,144
Investment income	80,000	80,000	451,529	371,529
Rental income	12,500	12,500	14,970	2,470
Other	42,000	42,000	105,905	63,905
<b>Total revenues</b>	<b>8,737,200</b>	<b>8,737,200</b>	<b>10,285,855</b>	<b>1,548,655</b>
<b>Expenditures:</b>				
Current:				
General government	3,342,593	3,561,541	2,943,059	618,482
Security of persons and property	1,207,436	1,364,360	1,275,240	89,120
Public health and welfare	147,600	147,600	144,750	2,850
Transportation	747,556	1,293,387	938,186	355,201
Community environment	872,650	935,921	751,309	184,612
Leisure time activity	543,126	555,683	450,092	105,591
Capital outlay	1,532,171	2,747,487	2,278,071	469,416
Debt service:				
Principal retirement	111,500	111,500	99,259	12,241
Interest and fiscal charges	21,000	21,000	20,235	765
<b>Total expenditures</b>	<b>8,525,632</b>	<b>10,738,479</b>	<b>8,900,201</b>	<b>1,838,278</b>
Excess of revenues over (under) expenditures	211,568	(2,001,279)	1,385,654	3,386,933
<b>Other financing sources (uses):</b>				
Note issuance	-	-	950,000	950,000
Advances in	40,000	40,000	40,000	-
Advances (out) and not repaid	-	(100,000)	(100,000)	-
Transfers (out)	(1,059,250)	(1,267,250)	(1,219,250)	48,000
Premium on note issuance	-	-	706	706
Sale of assets	500	500	-	(500)
<b>Total other financing sources (uses)</b>	<b>(1,018,750)</b>	<b>(1,326,750)</b>	<b>(328,544)</b>	<b>998,206</b>
Net change in fund balances	(807,182)	(3,328,029)	1,057,110	4,385,139
<b>Fund balance at beginning of year</b>	8,009,624	8,009,624	8,009,624	-
<b>Prior year encumbrances appropriated</b>	807,182	807,182	807,182	-
<b>Fund balance at end of year</b>	<b>\$ 8,009,624</b>	<b>\$ 5,488,777</b>	<b>\$ 9,873,916</b>	<b>\$ 4,385,139</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Payments in lieu of taxes	\$ 250,000	\$ 250,000	\$ 230,211	\$ (19,789)
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>230,211</u>	<u>(19,789)</u>
<b>Expenditures:</b>				
Current:				
General government	84,000	84,000	82,912	1,088
Total expenditures	<u>84,000</u>	<u>84,000</u>	<u>82,912</u>	<u>1,088</u>
Net change in fund balances	166,000	166,000	147,299	(18,701)
<b>Fund balance at beginning of year</b>	<u>189,591</u>	<u>189,591</u>	<u>189,591</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 355,591</u>	<u>\$ 355,591</u>	<u>\$ 336,890</u>	<u>\$ (18,701)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2019

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 4,344,758	\$ 8,004,686	\$ 227,189	\$ 12,576,633
Receivables:				
Accounts	247,772	289,562	40,938	578,272
Prepayments	13,059	13,089	4,083	30,231
Materials and supplies inventory	24,130	23,202	-	47,332
<b>Total current assets</b>	<b>4,629,719</b>	<b>8,330,539</b>	<b>272,210</b>	<b>13,232,468</b>
Noncurrent assets:				
Capital assets:				
Land and construction in progress	959,435	14,526	-	973,961
Depreciable capital assets, net	12,649,837	21,798,808	7,590,050	42,038,695
Total capital assets, net	13,609,272	21,813,334	7,590,050	43,012,656
<b>Total assets</b>	<b>18,238,991</b>	<b>30,143,873</b>	<b>7,862,260</b>	<b>56,245,124</b>
<b>Deferred outflows of resources:</b>				
Unamortized deferred charges on debt refunding	-	66,354	-	66,354
OPEB	23,080	21,637	4,327	49,044
Pension	167,899	157,405	31,481	356,785
<b>Total deferred outflows of resources</b>	<b>190,979</b>	<b>245,396</b>	<b>35,808</b>	<b>472,183</b>
<b>Total assets and deferred outflows of resources</b>	<b>18,429,970</b>	<b>30,389,269</b>	<b>7,898,068</b>	<b>56,717,307</b>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	31,113	51,179	2,747	85,039
Accrued wages and benefits payable	9,096	8,772	1,946	19,814
Compensated absences payable - current	47,419	36,798	8,237	92,454
Due to other governments	22,047	8,871	1,634	32,552
Accrued interest payable	27,584	11,250	-	38,834
Revenue bonds payable	-	305,000	-	305,000
OWDA loans payable	234,044	50,314	-	284,358
OPWC loans payable	29,078	12,603	-	41,681
<b>Total current liabilities</b>	<b>400,381</b>	<b>484,787</b>	<b>14,564</b>	<b>899,732</b>
Long-term liabilities:				
Compensated absences payable	40,062	45,288	12,284	97,634
Revenue bonds payable	-	1,295,000	-	1,295,000
OWDA loans payable	1,830,170	629,506	-	2,459,676
OPWC loans payable	683,328	47,055	-	730,383
Net OPEB liability	294,296	275,903	55,181	625,380
Net pension liability	574,298	538,995	109,799	1,223,092
<b>Total long-term liabilities</b>	<b>3,422,154</b>	<b>2,831,747</b>	<b>177,264</b>	<b>6,431,165</b>
<b>Total liabilities</b>	<b>3,822,535</b>	<b>3,316,534</b>	<b>191,828</b>	<b>7,330,897</b>
<b>Deferred inflows of resources:</b>				
Pension	272	7,077	150	7,499
OPEB	799	749	1,415	2,963
<b>Total deferred inflows of resources</b>	<b>1,071</b>	<b>7,826</b>	<b>1,565</b>	<b>10,462</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>3,823,606</b>	<b>3,324,360</b>	<b>193,393</b>	<b>7,341,359</b>
<b>Net position:</b>				
Net investment in capital assets	10,832,652	19,540,210	7,590,050	37,962,912
Unrestricted	3,773,712	7,524,699	114,625	11,413,036
<b>Total net position</b>	<b>\$ 14,606,364</b>	<b>\$ 27,064,909</b>	<b>\$ 7,704,675</b>	<b>\$ 49,375,948</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Operating revenues:</b>				
Charges for services	\$ 1,688,947	\$ 2,267,676	\$ 289,229	\$ 4,245,852
Tap-in fees	980,716	1,191,073	-	2,171,789
Other operating revenues	3,048	4,759	168	7,975
Total operating revenues	2,672,711	3,463,508	289,397	6,425,616
<b>Operating expenses:</b>				
Personal services	564,333	623,649	140,991	1,328,973
Contract services	407,228	768,319	50,156	1,225,703
Materials and supplies	345,937	115,213	39,110	500,260
Depreciation	607,551	1,110,484	207,470	1,925,505
Total operating expenses	1,925,049	2,617,665	437,727	4,980,441
Operating income (loss)	747,662	845,843	(148,330)	1,445,175
<b>Nonoperating expenses:</b>				
Interest and fiscal charges	(57,875)	(48,947)	(62)	(106,884)
Loss on sale of capital assets	(29,152)	-	-	(29,152)
Total nonoperating expenses	(87,027)	(48,947)	(62)	(136,036)
Change in net position	660,635	796,896	(148,392)	1,309,139
<b>Net position at beginning of year</b>	13,945,729	26,268,013	7,853,067	48,066,809
<b>Net position at end of year</b>	\$ 14,606,364	\$ 27,064,909	\$ 7,704,675	\$ 49,375,948

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, 2019

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 1,681,239	\$ 2,260,852	\$ 288,602	\$ 4,230,693
Cash received from tap-in fees	980,403	1,190,632	-	2,171,035
Cash received from other operations	2,451	4,759	168	7,378
Cash payments for personal services	(460,209)	(489,290)	(102,672)	(1,052,171)
Cash payments for contract services	(424,343)	(793,314)	(34,617)	(1,252,274)
Cash payments for materials and supplies	(331,811)	(120,077)	(39,110)	(490,998)
	<u>1,447,730</u>	<u>2,053,562</u>	<u>112,371</u>	<u>3,613,663</u>
Net cash provided by operating activities				
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(54,049)	(119,015)	-	(173,064)
Principal retirement on revenue bonds	-	(295,000)	-	(295,000)
Principal retirement on capital lease	(3,265)	(2,207)	(3,265)	(8,737)
Principal retirement on OWDA loans	(227,739)	(49,264)	-	(277,003)
Principal retirement on OPWC loans	(29,078)	(12,365)	-	(41,443)
Interest and fiscal charges	(61,535)	(61,535)	(62)	(123,132)
	<u>(375,666)</u>	<u>(539,386)</u>	<u>(3,327)</u>	<u>(918,379)</u>
Net cash used in capital and related financing activities				
Net increase in cash and cash equivalents	1,072,064	1,514,176	109,044	2,695,284
<b>Cash and cash equivalents at beginning of year</b>	3,272,694	6,490,510	118,145	9,881,349
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,344,758</u>	<u>\$ 8,004,686</u>	<u>\$ 227,189</u>	<u>\$ 12,576,633</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 747,662	\$ 845,843	\$ (148,330)	\$ 1,445,175
Adjustments:				
Depreciation	607,551	1,110,484	207,470	1,925,505
Noncash revenues	-	-	21,489	21,489
Changes in assets, deferred outflows, liabilities and deferred inflows				
(Increase) decrease in accounts receivable	(8,618)	(7,265)	(627)	(16,510)
Decrease (increase) in materials and supplies inventory	10,992	(4,817)	-	6,175
Increase in accrued wages and benefits	1,944	1,669	458	4,071
Increase (decrease) in accounts payable	(26,749)	(13,064)	2,321	(37,492)
Increase (decrease) in compensated absences payable	13,010	7,995	5,081	26,086
(Increase) decrease in deferred outflows of resources	(123,759)	(91,819)	(18,363)	(233,941)
Increase (decrease) in net pension liability	268,545	233,242	48,648	550,435
Increase (decrease) in net OPEB liability	50,875	47,696	9,540	108,111
Increase (decrease) in deferred inflows of resources	(109,850)	(80,840)	(16,168)	(206,858)
(Decrease) increase in due to other governments	6,057	(979)	(102)	4,976
Decrease (increase) in prepayments	10,070	5,417	954	16,441
Net cash provided by operating activities	<u>\$ 1,447,730</u>	<u>\$ 2,053,562</u>	<u>\$ 112,371</u>	<u>\$ 3,613,663</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2019

	<u>Custodial Fund</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 385
Cash in segregated accounts	<u>13,309</u>
Total assets	<u><u>\$ 13,694</u></u>
<b>Liabilities:</b>	
Restricted for individuals and other governments	<u>\$ 13,694</u>
Total liabilities	<u><u>\$ 13,694</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

	<u>Custodial Fund</u>
<b>Additions:</b>	
Fines, licenses and permits for other governments	\$ 28,733
Total additions	<u>28,733</u>
<b>Deductions:</b>	
Fines, licenses and permits distributed to other governments	28,744
Total deductions	<u>28,744</u>
Change in net position	(11)
<b>Net position at beginning of year</b>	<u>13,705</u>
<b>Net position at end of year</b>	<u><u>\$ 13,694</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, 2019

**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, 2019

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

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

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

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

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

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

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

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

**C. Fund Accounting**

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

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

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

*Issue II fund* - This fund receives intergovernmental revenues and loan proceeds for capital improvements.

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 custodial funds. The City has no trust funds. Custodial funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has one custodial fund which account for the City's Mayor's Court.

**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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

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

All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**E. Basis of Accounting**

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

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

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

***Deferred Inflows of Resources and Deferred Outflows of Resources*** - In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, payment in lieu of taxes, pension, OPEB, and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, interest, charges for services, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**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 custodial 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, 2019

**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 2019. The budgetary statement reflects the original and final appropriations as approved by Council.

*Encumbrances:*

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

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

**G. Cash and Cash Equivalents**

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

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



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

The City invested in STAR Ohio during 2019. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2019 amounted to \$541,481, which included \$316,719 assigned from other funds of the City.

**H. Inventories of Materials and Supplies**

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

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

The City’s infrastructure consists of culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities. All reported capital assets are depreciated except for land and intangibles. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

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

**J. Compensated Absences**

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates. The entire compensated absence liability is reported on the government-wide financial statements.

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

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

**L. Interfund Activity**

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

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

**M. Fund Balance**

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

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

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

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated (Finance Director) that authority by City Charter or ordinance.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

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

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

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

**N. Estimates**

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

**O. Net Position**

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

**P. Prepayments**

Payments made to vendors for services that will benefit beyond December 31, 2019 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the 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 2019.

**R. Fair Value**

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

**S. Contributions of Capital**

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

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

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

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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

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

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of \$13,705. Also, related to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. At December 31, 2018, agency funds reported assets and liabilities of \$459,582.

In addition, two previously reported agency funds are now reported as other governmental funds. This resulted in a restatement of \$445,877 to other governmental funds beginning fund balance and beginning net position reported on the Statement of Activities.

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

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

**B. Deficit Fund Balance**

Fund balances at December 31, 2019 included a deficit of \$23,110 in the Gender Road TIF fund. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

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; and with certain limitations including a requirement for maturity within a ten year form the date of settlement, bonds and other obligations of a political subdivision of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

6. 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;
7. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one period.

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, \$13,309 and \$10,865 was on deposit for the City's mayor's court and healthcare account which was held outside of the City's treasury, respectively. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts".

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

**C. Deposits with Financial Institutions**

At December 31, 2019, the carrying amount of all City deposits was \$17,152,728. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2019, \$16,464,076 of the City's bank balance of \$17,214,076 was exposed to custodial credit risk as discussed below, while \$750,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute.

Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the City's financial institution was approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

**D. Investments**

As of December 31, 2019, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value Hierarchy</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
			<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	Level 2	\$ 1,989,770	\$ -	\$ -	\$ -	\$ -	\$ 1,989,770
FHLMC	Level 2	399,616	-	-	-	399,616	-
FHLB	Level 2	700,000	700,000	-	-	-	-
Negotiable CD's	Level 2	3,237,289	246,103	996,661	249,577	248,062	1,496,886
STAR Ohio	N/A	171,579	171,579	-	-	-	-
U.S. Govt. Money Market	N/A	3,615,511	3,615,511	-	-	-	-
Total		<u>\$ 10,113,765</u>	<u>\$ 4,733,193</u>	<u>\$ 996,661</u>	<u>\$ 249,577</u>	<u>\$ 647,678</u>	<u>\$ 3,486,656</u>

The weighted average maturity of investments is 1.36 years.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**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, 2019:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 1,989,770	19.67
FHLMC	399,616	3.95
FHLB	700,000	6.92
Negotiable CD's	3,237,289	32.01
STAR Ohio	171,579	1.70
U.S. Government money market	<u>3,615,511</u>	<u>35.75</u>
 Total	 <u>\$ 10,113,765</u>	 <u>100.00</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**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, 2019:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$	17,152,728
Investments		10,113,765
Cash on hand		150
Total	\$	27,266,643
 <u>Cash and investments per statement of position</u>		
Governmental activities	\$	14,676,316
Business-type activities		12,576,633
Custodial fund		13,694
Total	\$	27,266,643

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund balances at December 31, 2019, as reported on the fund statements as advances to/from other funds consist of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Gender road tif	\$ 360,000
General	Other governmental	5,000

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

**B.** Interfund balances at December 31, 2019, as reported on the fund statements as interfund receivable/payable consist of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Other governmental fund	\$ 100,000

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- C. Interfund transfers for the fiscal year ended December 31, 2019, 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	\$ 1,059,250
General fund	Other governmental fund	160,000

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

**NOTE 6 - PROPERTY TAXES**

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of 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, 2019 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2019 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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 2019 property tax receipts were based are as follows:

Real property tax	\$ 211,821,430
Public utility tangible personal property	<u>3,482,790</u>
Total assessed value	<u><u>\$ 215,304,220</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, 2019. Income tax revenue for 2019 was \$7,684,047 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 \$466,347 in 2019 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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2019, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue.

All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2019. A summary of the principal items of receivables reported on the statement of net position follows:

<b><u>Governmental activities:</u></b>	
Income taxes	\$ 1,283,850
Property and other local taxes	549,870
Payments in lieu of taxes	553,354
Accounts	73,448
Special assessments	135,571
Accrued interest	30,910
Due from other governments	423,482
<b><u>Business-type activities:</u></b>	
Accounts	578,272

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.

**NOTE 10 - CAPITAL ASSETS**

A. Governmental activities capital asset activity at December 31, 2019 was as follows:

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**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

<b><u>Governmental activities:</u></b>	Balance 12/31/18	Additions	Deductions	Balance 12/31/2019
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,126,719	\$ 950,821	\$ -	\$ 4,077,540
Construction in progress	1,499,372	62,638	(1,499,372)	62,638
Intangibles	257,247	-	-	257,247
Total capital assets, not being depreciated	<u>4,883,338</u>	<u>1,013,459</u>	<u>(1,499,372)</u>	<u>4,397,425</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,523,406	159,046	-	1,682,452
Buildings and improvements	5,746,982	19,000	-	5,765,982
Furniture and equipment	942,481	28,134	-	970,615
Vehicles	901,383	-	-	901,383
Infrastructure	9,732,665	3,974,936	-	13,707,601
Total capital assets, being depreciated	<u>18,846,917</u>	<u>4,181,116</u>	<u>-</u>	<u>23,028,033</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(478,014)	(31,327)	-	(509,341)
Buildings and improvements	(1,120,391)	(103,617)	-	(1,224,008)
Furniture and equipment	(428,664)	(66,894)	-	(495,558)
Vehicles	(524,115)	(69,516)	-	(593,631)
Infrastructure	(1,529,178)	(360,603)	-	(1,889,781)
Total accumulated depreciation	<u>(4,080,362)</u>	<u>(631,957)</u>	<u>-</u>	<u>(4,712,319)</u>
Total capital assets, being depreciated net	<u>14,766,555</u>	<u>3,549,159</u>	<u>-</u>	<u>18,315,714</u>
Governmental activities, net	<u>\$ 19,649,893</u>	<u>\$ 4,562,618</u>	<u>\$ (1,499,372)</u>	<u>\$ 22,713,139</u>

Depreciation expense was charged to governmental activities as follows:

<b><u>Governmental activities:</u></b>	
General government	\$ 74,089
Transportation	498,589
Leisure time activity	59,279
Total depreciation expense - governmental activities	<u>\$ 631,957</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

**B.** Business-type activities capital asset activity at December 31, 2019 was as follows:

<b><u>Business-type activities:</u></b>	Balance <u>12/31/2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2019</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 913,400	\$ -	\$ -	\$ 913,400
Intangibles	60,561	-	-	60,561
Construction in progress	191,336	-	(191,336)	-
Total capital assets, not being depreciated	<u>1,165,297</u>	<u>-</u>	<u>(191,336)</u>	<u>973,961</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	14,495,926	-	-	14,495,926
Furniture and equipment	1,643,975	97,359	-	1,741,334
Vehicles	225,297	29,184	(35,186)	219,295
Infrastructure	56,305,821	241,635	-	56,547,456
Total capital assets, being depreciated	<u>72,671,019</u>	<u>368,178</u>	<u>(35,186)</u>	<u>73,004,011</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(4,303,365)	(267,728)	-	(4,571,093)
Furniture and equipment	(604,772)	(88,541)	-	(693,313)
Vehicles	(110,652)	(23,031)	6,034	(127,649)
Infrastructure	(24,027,056)	(1,546,205)	-	(25,573,261)
Total accumulated depreciation	<u>(29,045,845)</u>	<u>(1,925,505)</u>	<u>6,034</u>	<u>(30,965,316)</u>
Total capital assets, being depreciated, net	<u>43,625,174</u>	<u>(1,557,327)</u>	<u>(29,152)</u>	<u>42,038,695</u>
Business-type activities capital assets, net	<u>\$ 44,790,471</u>	<u>\$ (1,557,327)</u>	<u>\$ (220,488)</u>	<u>\$ 43,012,656</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

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

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements. Principal payments from all funds in 2019 totaled \$103,683. Principal and interest payments are made from the street construction and maintenance fund, the state highway fund, the permissive fund, (nonmajor other governmental funds), general fund, water fund, sewer fund and stormwater fund.

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

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2019:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2020	\$ 58,103
2021	<u>28,005</u>
Total minimum lease payments	86,108
Less: amount representing interest	<u>(3,063)</u>
Present value of future minimum lease payments	<u><u>\$ 83,045</u></u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities**

During 2019, the following changes occurred in the governmental activities long-term obligations:

<b>Governmental activities:</b>	Interest <u>Rate</u>	Maturity <u>Date</u>	Balance at <u>12/31/18</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/19</u>	Amounts Due in <u>One Year</u>
<u>General obligation bonds</u>							
Refunding bonds, 2017	3.75%-4.5%	12/01/2028	\$ 1,705,000	\$ -	\$ (435,000)	\$ 1,270,000	\$ 130,000
G.O. Municipal facilities bonds, 2015	5.50%	01/01/2030	2,810,000	-	(230,000)	2,580,000	230,000
Capital appreciation bonds, series 2004	11.03%	12/01/2019	30,757	-	(30,757)	-	-
Various purp. refunding bonds, series 2013	2.53%	12/01/2024	890,000	-	(10,000)	880,000	170,000
Total general obligations bonds			<u>5,435,757</u>	<u>-</u>	<u>(705,757)</u>	<u>4,730,000</u>	<u>530,000</u>
<u>Long-Term Bond Anticipation Note</u>							
2019 Bond anticipation note	3.625%	06/16/2021	-	950,000	-	950,000	950,000
Total bond anticipation notes			<u>-</u>	<u>950,000</u>	<u>-</u>	<u>950,000</u>	<u>950,000</u>
<u>OPWC loans - Direct Borrowings</u>							
#CC05B - Washington St.	0.00%	7/01/2020	78,232	-	(39,117)	39,115	39,115
#CC02D - North High St.	0.00%	7/01/2023	93,986	-	(18,798)	75,188	18,797
#CC03E - West Waterloo #1	0.00%	1/01/2024	165,454	-	(30,082)	135,372	30,082
#CC04F - West Waterloo #2	0.00%	1/01/2025	330,075	-	(50,780)	279,295	50,781
#CC04K - Columbus St	0.00%	1/01/2029	239,400	-	(22,800)	216,600	22,800
#CC06L - Thrush Drive	0.00%	1/01/2034	152,105	-	(9,813)	142,292	9,813
#CC11U - Gender Rd. Ph. IV	0.00%	01/01/2039	-	1,084,635	-	1,084,635	54,232
Total OPWC loans			<u>1,059,252</u>	<u>1,084,635</u>	<u>(171,390)</u>	<u>1,972,497</u>	<u>225,620</u>
<u>Other long-term obligations</u>							
Land purchase agreement - <i>Direct Borrowing</i>	3.00%	4/1/2027	672,550	-	(71,076)	601,474	72,563
Net pension liability			1,365,695	1,005,885	-	2,371,580	-
Net OPEB liability			1,004,113	209,857	-	1,213,970	-
Compensated absences			146,230	150,332	(128,569)	167,993	94,439
Lease purchase agreement - <i>Direct Borrowing</i>			175,877	-	(92,832)	83,045	55,557
Capital lease agreements			2,114	-	(2,114)	-	-
Total other long-term obligations			<u>3,366,579</u>	<u>1,366,074</u>	<u>(294,591)</u>	<u>4,438,062</u>	<u>222,559</u>
Total governmental activities			<u>\$ 9,861,588</u>	<u>\$ 3,400,709</u>	<u>\$ (1,171,738)</u>	<u>\$ 12,090,559</u>	<u>\$ 1,928,179</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Compensated Absences:

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

Lease Purchase Agreements:

See Note 11 for detail on the lease purchase agreements.

Long-Term Bond Anticipation Notes:

The City issued \$950,000 bond anticipation notes for the purpose of acquiring land. These notes were re-issued June 17, 2020 with a maturity date of June 16, 2021. Based on these notes being issued prior to the release of the financial statements, the notes are considered long-term obligations. See Note 22 for subsequent event disclosure.

General Obligation Bonds:

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

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

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.

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

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

The reacquisition price exceeded the net carrying amount of the old debt by \$79,690 for governmental activities. This amount is presented as a deferred charge on refunding and amortized over the remaining life of the new debt. The economic gain resulting from this transaction was \$116,826. The following is a summary of the City's future annual debt service requirements for the general obligation bonds:

Year Ended <u>December 31,</u>	<u>General Obligation Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 530,000	\$ 116,522	\$ 646,522
2021	535,000	103,459	638,459
2022	545,000	90,266	635,266
2023	555,000	76,841	631,841
2024	560,000	63,181	623,181
2025-2029	1,770,000	154,194	1,924,194
2030	235,000	6,110	241,110
Total	<u>\$ 4,730,000</u>	<u>\$ 610,573</u>	<u>\$ 5,340,573</u>

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Land Purchase Agreement:

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

Year Ended December 31,	Land Purchase Agreement		
	Principal	Interest	Total
2020	\$ 72,563	\$ 17,372	\$ 89,935
2021	74,905	15,030	89,935
2022	77,178	12,757	89,935
2023	79,519	10,416	89,935
2024	81,932	8,003	89,935
2025-2027	<u>215,377</u>	<u>8,968</u>	<u>224,345</u>
Total	<u>\$ 601,474</u>	<u>\$ 72,546</u>	<u>\$ 674,020</u>

OPWC Loans:

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

Year Ended December 31,	Principal
2020	\$ 225,620
2021	186,504
2022	186,505
2023	186,505
2024	152,670
2025-2029	448,216
2030-2034	315,322
2035-2039	<u>271,155</u>
Total	<u>\$ 1,972,497</u>

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2019, the City's total debt margin was \$16,985,511 and the unvoted debt margin was \$6,161,732.

**B. Business-Type Activities**

During 2019, the following changes occurred in the business-type long-term obligations:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/19</u>	<u>Due in One Year</u>
<u>Revenue bonds</u>							
Sanitary sewer refunding bonds	2.530%	12/01/2024	\$ 1,895,000	\$ -	\$ (295,000)	\$ 1,600,000	\$ 305,000
Total revenue bonds			<u>1,895,000</u>	<u>-</u>	<u>(295,000)</u>	<u>1,600,000</u>	<u>305,000</u>
<u>OPWC loans - Direct Borrowings</u>							
#CC01C - Sanitary sewer rehab	3.00%	1/01/2024	72,023	-	(12,365)	59,658	12,603
#CC15P - Tanktown Waterline	0.00%	1/1/2044	741,484	-	(29,078)	712,406	29,078
Total OPWC loans			<u>813,507</u>	<u>-</u>	<u>(41,443)</u>	<u>772,064</u>	<u>41,681</u>
<u>OWDA loans - Direct Borrowings</u>							
#4523 - Water treatment plant construction	2.75%	7/01/2027	1,854,642	-	(184,286)	1,670,356	189,388
#4672 - Well field & raw water line	2.75%	7/01/2027	437,311	-	(43,453)	393,858	44,656
#5772 - Sewer system upgrades	2.12%	7/1/2031	729,084	-	(49,264)	679,820	50,314
Total OWDA loans			<u>3,021,037</u>	<u>-</u>	<u>(277,003)</u>	<u>2,744,034</u>	<u>284,358</u>
<u>Other long-term obligations:</u>							
Lease purchase agreement			8,737	-	(8,737)	-	-
Net pension liability			672,657	550,435	-	1,223,092	-
Net OPEB liability			517,269	108,111	-	625,380	-
Compensated absences			<u>164,002</u>	<u>165,184</u>	<u>(139,098)</u>	<u>190,088</u>	<u>92,454</u>
Total long-term obligations			<u>1,362,665</u>	<u>823,730</u>	<u>(147,835)</u>	<u>2,038,560</u>	<u>92,454</u>
Total business-type activities			<u>\$ 7,092,209</u>	<u>\$ 823,730</u>	<u>\$ (761,281)</u>	<u>\$ 7,154,658</u>	<u>\$ 723,493</u>



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Compensated Absences:

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

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
2020	\$ 305,000	\$ 40,480	\$ 345,480
2021	310,000	32,764	342,764
2022	320,000	24,921	344,921
2023	330,000	16,825	346,825
2024	335,000	8,475	343,475
Total	<u>\$ 1,600,000</u>	<u>\$ 123,465</u>	<u>\$ 1,723,465</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to acquire, construct, and make operating improvements to the sanitary sewer collection and treatment system. The sewer revenue bonds are payable solely from sewer customer net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require approximately 18.24 percent of net revenues. The total principal and interest remaining to be paid on the sewer mortgage revenue bonds is \$1,723,465. Principal and interest paid for the current year and total customer net revenues were \$342,944 and \$1,956,327, respectively.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 12 - 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
2020	\$ 41,681	\$ 1,700	\$ 43,381
2021	42,062	1,319	43,381
2022	42,454	927	43,381
2023	42,859	522	43,381
2024	35,992	106	36,098
2025-2029	145,389	-	145,389
2030-2034	145,389	-	145,389
2035-2039	145,389	-	145,389
2040-2044	130,849	-	130,849
Total	<u>\$ 772,064</u>	<u>\$ 4,574</u>	<u>\$ 776,638</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, 2019, the City has outstanding borrowings of \$2,744,034. 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 10.68 percent of net revenues and 5.76 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$3,087,231. Principal and interest paid for the current year were \$353,673, total net revenues were \$3,311,540 and total operating revenues were \$6,136,219.

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

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

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

Year Ended December 31,	OWDA Loans Payable		
	Principal	Interest	Total
2020	\$ 284,358	\$ 69,315	\$ 353,673
2021	291,912	61,761	353,673
2022	299,667	54,006	353,673
2023	307,630	46,044	353,674
2024	315,806	37,868	353,674
2025-2029	1,119,086	70,857	1,189,943
2030-2032	<u>125,575</u>	<u>3,346</u>	<u>128,921</u>
Total	<u>\$ 2,744,034</u>	<u>\$ 343,197</u>	<u>\$ 3,087,231</u>

**NOTE 13 - 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).

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

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

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

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

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

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

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

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25 percent. Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows

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

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**NOTE 13 - 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 \$248,685 for 2019. Of this amount, \$40,163 is reported as due to other governments.

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

The net pension liability for OPERS was measured as of December 31, 2018, 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:

	OPERS
<b>Traditional Plan</b>	
Proportion of the net pension liability prior measurement date	0.01299300%
Proportion of the net pension liability current measurement date	<u>0.01312000%</u>
Change in proportionate share	<u>0.00012700%</u>
Proportionate share of the net pension liability - Traditional Plan	\$ 3,594,672
Pension expense	\$ 793,305

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

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

	OPERS
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$166
Changes of assumptions	312,806
Net difference between projected and actual earnings on pension plan investments	487,712
City contributions subsequent to the measurement date	248,685
Total Deferred Outflows of Resources	\$1,049,369
 <b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$45,916
Total Deferred Inflows of Resources	\$45,916

\$248,685 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2020	\$324,119
2021	172,114
2022	185,120
2023	73,415
Total	\$754,768

***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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67:

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return:	
Current measurement date	7.20%
Prior measurement date	7.50%
Actuarial cost method	Individual entry age

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

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all



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

plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$5,308,352	\$3,594,672	\$2,168,080

**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

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

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF CANAL WINCHESTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)**

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$0 for 2019.

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

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.0141080%
Prior Measurement Date	0.0140100%
Change in Proportionate Share	0.0000980%
Proportionate Share of the Net OPEB Liability	\$1,839,350
OPEB Expense	\$178,601

***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.

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	
Current measurement date	6.00 percent
Prior Measurement date	6.50 percent
Municipal Bond Rate	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)**

These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

**Discount Rate** A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)**

Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$2,353,214	\$1,839,350	\$1,430,692

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

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 – DEFINED BENEFIT OPEB PLANS- (Continued)**

A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$1,768,015	\$1,839,350	\$1,921,510

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

	OPERS - Traditional
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$ 622
Net difference between projected and actual earnings on pension plan investments	84,323
Changes of assumptions	59,303
Total deferred outflows of resources	\$ 144,248
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$ 6,257
Total deferred inflows of resources	\$ 6,257

\$0 is reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:



**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

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

Year Ending December 31:	OPERS
2020	\$ 65,751
2021	17,124
2022	14,605
2023	40,511
Total	\$ 137,991

**NOTE 15 - RISK MANAGEMENT POOLS**

**A. Central Ohio Health Care Consortium**

On January 1, 1992, the City joined the Central Ohio Health Care Consortium (the “Pool”), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the Pool. The Pool consists of 11 political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. Dental, vision, and life insurance coverage is provided by Delta Dental, Vision Service Plan, and Standard Insurance Company, respectively. The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, and to purchase excess loss insurance for the Pool. The Pool also entered into an agreement with an independent plan supervisor to oversee the day to day operations of the Pool, such as administration and approval of submitted claims, the payment of operating expenses incurred by the Pool and the preparation of a monthly activity report which is presented to the Board. The funds held by the Pool are maintained in a bank trust account established for the sole purpose and benefit of the Pool operations. Financial information for the Pool can be obtained from Matthew Peoples, Chair, COHCC, 36 South High Street, Canal Winchester, Ohio 43110. The City’s payments to the Pool for insurance coverage were \$572,394 during 2019.

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. 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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 15 - RISK MANAGEMENT POOLS – (Continued)**

**B. Central Ohio Risk Management Association**

On October 1, 2014, the City joined the Central Ohio Risk Management Association Inc. (CORMA), a shared risk pool which is administered by nine cities in Central Ohio. Its present members in addition to the City of Canal Winchester are the Cities of Dublin, Grove City, Upper Arlington, Westerville, Groveport, Pickerington, Powell, and Grandview Heights. CORMA was formed as an Ohio non-profit corporation for the purpose of establishing the CORMA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Each member has a representative on the Board of Trustees that approves bylaws, establish policies and contract with service providers for the best savings. Member cities agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORMA. Coverage includes comprehensive general liability, property insurance, crime insurance, employee benefits liability, law enforcement liability, public officials' liability, automotive liability, and healthcare professional liability. Financial Statements for the pool can be obtained from Mike Turner, Treasurer, CORMA, 4035 Broadway, Grove City, Ohio 43123. The City's payments to CORMA for insurance coverage were \$57,564 during 2019.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,

(d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>	<u>Gender road tif fund</u>
Budget basis	\$ 1,057,110	\$ 147,299
Net adjustment for revenue accruals	363,978	-
Net adjustment for expenditure accruals	(275,001)	40,000
Net adjustment for other sources/uses	60,000	-
Adjustment for encumbrances	<u>693,854</u>	<u>-</u>
GAAP basis	<u>\$ 1,899,941</u>	<u>\$ 187,299</u>

**NOTE 17 – TAX ABATEMENTS**

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

***Real Estate Tax Abatements***

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

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

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 17 – TAX ABATEMENTS – (Continued)**

This return on investment formula considers the financial impact not only to the City but also other local governments in Franklin and Fairfield County that may be impacted. Below is the information relevant to the disclosure of these programs for the year ended December 31, 2019:

Tax Abatement Program	Total Amount of Taxes Abated (Incentives Abated) for 2019 (In Actual Dollars)
<i>Community Reinvestment Area (CRA)</i>	
- Manufacturing	\$13,863
- Retail	5,078
- Construction	305
- Professional Services	2,510
- Distribution	1,170
- Telecommunications	896
- Medical Services	42
- Restaurants	140
- Residential	62
Total Community Reinvestment Area	\$24,066

**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.

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 17 – TAX ABATEMENTS – (Continued)**

The Agreement allows for development of a designated area with the sharing of services and an annual service fee between the parties. This agreement has been in part responsible for the development of industrial/commercial development known as Canal Pointe which currently includes 30 businesses with over 1,250 employees. The amount distributed under this agreement was \$337,411 for 2019.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

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

The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2019.

**B. Litigation**

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

**NOTE 19 - 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:

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 19 - FUND BALANCE – (Continued)**

Fund balance	General Fund	Debt Service Fund	Gender Road TIF Fund	Issue II Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>						
Prepays	\$ 46,461	\$ -	\$ -	\$ -	\$ 761	\$ 47,222
Long-term loans	365,000	-	-	-	-	365,000
Materials & supplies inventory	50,225	-	-	-	88,287	138,512
<b>Total nonspendable</b>	<b>461,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,048</b>	<b>550,734</b>
<b>Restricted:</b>						
General government	-	-	-	-	1,928,071	1,928,071
Capital projects	-	-	-	92,430	153,068	245,498
Transportation	-	-	-	-	1,188,476	1,188,476
Community environment	-	-	-	-	11,062	11,062
Leisure time activity	-	-	-	-	338,255	338,255
<b>Total restricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,430</b>	<b>3,618,932</b>	<b>3,711,362</b>
<b>Assigned:</b>						
Debt service	-	58,568	-	-	-	58,568
Community environment	12,241	-	-	-	-	12,241
Security persons & property	653	-	-	-	-	653
Transportation	187,174	-	-	-	-	187,174
Leisure time activity	150,301	-	-	-	-	150,301
Subsequent year appropriations	149,774	-	-	-	-	149,774
General government	174,056	-	-	-	-	174,056
<b>Total assigned</b>	<b>674,199</b>	<b>58,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>732,767</b>
Unassigned	10,644,565	-	(23,110)	-	-	10,621,455
<b>Total fund balances</b>	<b>\$ 11,780,450</b>	<b>\$ 58,568</b>	<b>\$ (23,110)</b>	<b>\$ 92,430</b>	<b>\$ 3,707,980</b>	<b>\$ 15,616,318</b>

**NOTE 20 - OTHER COMMITMENTS**

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

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

**NOTE 20 - OTHER COMMITMENTS – (Continued)**

Fund	Year - End Encumbrances
General	\$ 693,854
Other governmental	139,888
Total governmental funds	833,742
Water	70,893
Sewer	144,124
Storm Water	98,189
Total proprietary funds	313,206
Total	\$ 1,146,948

**NOTE 21 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City’s investment portfolio and the investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets.

However, because the values of individual investments fluctuate with market conditions, and due to the market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 22 – SUBSEQUENT EVENTS**

On June 17, 2020 the City re-issued a \$950,000 bond originally issued on June 19, 2019 for the purchase of land. This note will mature on June 16, 2021.

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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 SIX YEARS

<i>Traditional Plan:</i>	<b>2019</b>	<b>2018</b>
City's proportion of the net pension liability	0.013120%	0.012993%
City's proportionate share of the net pension liability	\$ 3,594,672	\$ 2,038,352
City's covered-employee payroll	\$ 1,598,936	\$ 1,597,715
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	224.82%	127.58%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	0.013344%	0.014281%	0.012385%	0.012385%
\$	3,030,195	\$ 2,473,649	\$ 1,493,770	\$ 1,460,030
\$	2,153,825	\$ 1,585,225	\$ 1,702,142	\$ 1,688,962
	140.69%	156.04%	87.76%	86.45%
	77.25%	81.08%	86.45%	86.36%

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

SCHEDULES OF SUPPLEMENTARY INFORMATION

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

LAST SEVEN YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Traditional Plan:</i>			
Contractually required contribution	\$ 248,685	\$ 223,851	\$ 207,703
Contributions in relation to the contractually required contribution	<u>(248,685)</u>	<u>(223,851)</u>	<u>(207,703)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,776,321	\$ 1,598,936	\$ 1,597,715
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%

(1) Information prior to 2013 is not available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 258,495	\$ 190,227	\$ 204,257	\$ 219,565
<u>(258,495)</u>	<u>(190,227)</u>	<u>(204,257)</u>	<u>(219,565)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,153,825	\$ 1,585,225	\$ 1,702,142	\$ 1,688,962
12.00%	12.00%	12.00%	13.00%

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.0140800%	0.0140100%	0.0139737%
City's proportionate share of the net OPEB liability	\$ 1,839,350	\$ 1,521,382	\$ 1,411,392
City's covered-employee payroll	\$ 1,598,936	\$ 1,597,715	\$ 2,153,825
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	115.04%	95.22%	65.53%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.04%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ -	\$ -	\$ 17,201	\$ 36,939
Contributions in relation to the contractually required contribution	-	-	(17,201)	(36,939)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,776,321	\$ 1,598,936	\$ 1,597,715	\$ 2,153,825
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	1.08%	1.72%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 31,704	\$ 34,055	\$ 16,882
<u>(31,704)</u>	<u>(34,055)</u>	<u>(16,882)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,585,225	\$ 1,702,142	\$ 1,688,962
2.00%	2.00%	1.00%

**CITY OF CANAL WINCHESTER  
FRANKLIN COUNTY**

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

<b>PENSION</b>
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*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2019.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.

<b>OTHER POSTEMPLOYMENT BENEFITS (OPEB)</b>
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**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

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

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

**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, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 17, 2021, wherein we noted the City adopted GASB Statement No. 84, “*Fiduciary Activities*” as disclosed in Note 3, and considered the financial impact of COVID-19 as disclosed in Note 21.

**Internal Control over Financial Reporting**

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
June 17, 2021

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF CANAL WINCHESTER**

**FRANKLIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 8/17/2021**

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

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