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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended December 31, 2012, was as follows:

<b><u>Governmental Activities:</u></b>	Balance 01/01/2012	Additions	Disposals	Balance 12/31/2012
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,312,599	\$ 71,009	\$ -	\$ 2,383,608
Construction in progress	151,094	611,458	(14,142)	748,410
Total capital assets, not being depreciated	<u>2,463,693</u>	<u>682,467</u>	<u>(14,142)</u>	<u>3,132,018</u>
<i>Capital assets, being depreciated:</i>				
Buildings	3,113,842	41,315	-	3,155,157
Land improvements	72,434	-	(33,144)	39,290
Equipment	3,676,574	284,439	(658,304)	3,302,709
Infrastructure	14,444,449	188,545	(90,685)	14,542,309
Total capital assets, being depreciated	<u>21,307,299</u>	<u>514,299</u>	<u>(782,133)</u>	<u>21,039,465</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(1,857,578)	(80,700)	-	(1,938,278)
Land improvements	(36,373)	(2,427)	-	(38,800)
Equipment	(2,214,207)	(228,659)	570,651	(1,872,215)
Infrastructure	(6,338,285)	(251,295)	39,328	(6,550,252)
Total accumulated depreciation	<u>(10,446,443)</u>	<u>(563,081)</u>	<u>609,979</u>	<u>(10,399,545)</u>
Total capital assets, being depreciated, net	<u>10,860,856</u>	<u>(48,782)</u>	<u>(172,154)</u>	<u>10,639,920</u>
Governmental activities capital assets, net	<u>\$ 13,324,549</u>	<u>\$ 633,685</u>	<u>\$ (186,296)</u>	<u>\$ 13,771,938</u>



**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

**Governmental activities:**

General Government	\$ 90,262
Security of Persons and Property	147,303
Public Health and Welfare	3,365
Leisure Time Activities	12,854
Community Environment	2,873
Transportation	<u>306,424</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 563,081</u>

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

Capital asset activity for business-type activities for the year ended December 31, 2012, was as follows:

<b><u>Business-type Activities:</u></b>	Balance 1/1/2012	Additions	Disposals	Balance 12/31/2012
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,297	\$ -	\$ -	\$ 21,297
Construction in progress	1,085,093	269,452	(478,125)	876,420
Total capital assets, not being depreciated	<u>1,106,390</u>	<u>269,452</u>	<u>(478,125)</u>	<u>897,717</u>
<i>Capital assets, being depreciated:</i>				
Buildings	1,547,674	321,149	-	1,868,823
Equipment	506,064	32,105	(23,545)	514,624
Infrastructure	22,385,771	473,243	(437,508)	22,421,506
Total capital assets, being depreciated	<u>24,439,509</u>	<u>826,497</u>	<u>(461,053)</u>	<u>24,804,953</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(662,088)	(32,650)	-	(694,738)
Equipment	(338,816)	(35,566)	21,317	(353,065)
Infrastructure	(8,969,596)	(425,043)	430,150	(8,964,489)
Total accumulated depreciation	<u>(9,970,500)</u>	<u>(493,259)</u>	<u>451,467</u>	<u>(10,012,292)</u>
Total capital assets, being depreciated, net	<u>14,469,009</u>	<u>333,238</u>	<u>(9,586)</u>	<u>14,792,661</u>
Business-type activities capital assets, net	<u>\$ 15,575,399</u>	<u>\$ 602,690</u>	<u>\$ (487,711)</u>	<u>\$ 15,690,378</u>

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

<b><u>Business-type activities:</u></b>	
Water	\$ 202,167
Sewer	144,686
Storm	<u>146,406</u>
Total depreciation expense - business-type activities	<u>\$ 493,259</u>

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 10 - VACATION AND SICK LEAVE LIABILITY**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time up to a maximum of 200 hours is paid upon termination of employment. Employees earn sick leave at a rate of ten (10) hours per month. Sick leave accrual is continuous, up to 2,000 hours. Upon retirement or death, an employee with 10 years of continuous service can be paid an amount equal to one-fourth (1/4) the total number of accumulated, unused sick hours, not to exceed the maximum of 500 hours. As of December 31, 2012, the liability for unpaid compensated absences was \$241,048 for the entire City.

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During 2012, the following activity occurred in governmental activities long-term obligations:

<b>Governmental Activities:</b>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Balance 01/01/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2012</u>	<u>Amounts Due in One Year</u>
<u>OPWC Loans:</u>							
Brookpark Storm Water Imp.	1994	0.00%	\$ 6,821	\$ -	\$ (2,728)	\$ 4,093	\$ 2,728
Hillside Storm Water Imp	1994	0.00%	15,744	-	(7,872)	7,872	7,872
Court St. Area Storm Water Imp.	2000	0.00%	<u>121,706</u>	<u>-</u>	<u>(14,319)</u>	<u>107,387</u>	<u>14,318</u>
Total OPWC Loans			<u>144,271</u>	<u>-</u>	<u>(24,919)</u>	<u>119,352</u>	<u>24,918</u>
<u>General Obligation Bonds:</u>							
Red Gate Land Acquisition	2011	3.60%	<u>1,000,000</u>	<u>-</u>	<u>(127,686)</u>	<u>872,314</u>	<u>132,514</u>
Total G.O. Bonds			<u>1,000,000</u>	<u>-</u>	<u>(127,686)</u>	<u>872,314</u>	<u>132,514</u>
<u>Other Long-Term Obligations:</u>							
Compensated Absences			<u>171,981</u>	<u>236,884</u>	<u>(191,392)</u>	<u>217,473</u>	<u>207,819</u>
Total governmental activities long-term obligations			<u>\$ 1,316,252</u>	<u>\$ 236,884</u>	<u>\$ (343,997)</u>	<u>\$ 1,209,139</u>	<u>\$ 365,251</u>

Compensated absences reported in the statement of net position will be paid from the fund from which the employee's salaries are paid. Property taxes are used to pay the GO bonds and OPWC loans in the Governmental Funds.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

Year Ending December 31,	OPWC Loans			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 24,918	\$ -	\$ 24,918	\$ 132,514	\$ 30,025	\$ 162,539
2014	15,683	-	15,683	137,417	25,122	162,539
2015	14,318	-	14,318	142,502	20,037	162,539
2016	14,318	-	14,318	147,728	14,811	162,539
2017	14,318	-	14,318	153,241	9,298	162,539
2018 - 2020	35,797	-	35,797	158,912	3,627	162,539
	<u>\$ 119,352</u>	<u>\$ -</u>	<u>\$ 119,352</u>	<u>\$ 872,314</u>	<u>\$ 102,920</u>	<u>\$ 975,234</u>

**B.** During 2012, the following activity occurred in the City's business-type long-term liabilities:

Business-Type Activities	Date of Issue	Interest Rate	Balance 1/1/2012	Additions	Retirements	Balance 12/31/2012	Amounts
							Due in One Year
<u>OPWC Loans:</u>							
Sawmill Sanitary Main Replacement	2002	0.00%	\$ 171,109	\$ -	\$ (18,012)	\$ 153,097	\$ 18,012
Sawmill Sanitary Main Lining	2003	0.00%	277,854	-	(23,154)	254,700	23,154
Total OPWC Loans			448,963	-	(41,166)	407,797	41,166
<u>Other Long-Term Obligations:</u>							
Compensated absences			14,624	25,733	(16,782)	23,575	17,989
Total business-type activities long-term obligations			<u>\$ 463,587</u>	<u>\$ 25,733</u>	<u>\$ (57,948)</u>	<u>\$ 431,372</u>	<u>\$ 59,155</u>

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

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

Year Ending December 31,	OPWC Loans		
	Principal	Interest	Total
2013	\$ 41,166	\$ -	\$ 41,166
2014	41,166	-	41,166
2015	41,166	-	41,166
2016	41,166	-	41,166
2017	41,165	-	41,165
2018 - 2022	178,813	-	178,813
2023	23,155	-	23,155
	<u>\$ 407,797</u>	<u>\$ -</u>	<u>\$ 407,797</u>

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**C. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2012, the City's total debt margin was \$19,980,486 and the unvoted debt margin was \$10,167,756.

**NOTE 12 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts: theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2012, the City contracted with several companies for various types of insurance as follows:

City of Canfield Insurance Policies:

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

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

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 13 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - The City participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The City's contribution rate for 2012 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$144,514, \$187,166, and \$175,430, respectively; 90.90% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2012 were \$5,347 made by the City and \$3,819 made by the plan members.

**B. Ohio Police and Fire Pension Fund**

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

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2012, the portion of the City's contributions to fund pension obligations was 12.75% for police officers. The City's required contributions for pension obligations to OP&F for the years ended December 31, 2012, 2011 and 2010 were \$151,456, \$192,923 and \$188,210, respectively. The full amount has been contributed for 2011 and 2010. 92.75% has been contributed for 2012.

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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















***Purpose of this Report***

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 5, 2014