



Dave Yost • Auditor of State



**CITY OF CANAL FULTON  
STARK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Canal Fulton  
Stark County  
155 East Market  
Canal Fulton, Ohio 44614

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 City of Canal Fulton, Stark County, Ohio (the City), as of and for the year ended December 31, 2014, 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 City of Canal Fulton, Stark County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Street Maintenance, Police and Fire/EMS Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2015, 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.



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

August 14, 2015

**City of Canal Fulton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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The discussion and analysis for the City of Canal Fulton's (the City) financial statements provide an overall review of the financial activity of the City for the twelve months ended December 31, 2014. The intent of this discussion is to provide a narrative that describes the City's performance as a whole. To obtain a more detailed understanding, one should also review the basic financial statements and the notes to the basic financial statements.

### **Financial Highlights**

Financial highlights for 2014 are as follows:

- The 2014 income tax collections (on a cash basis) were approximately \$2.3 million, which is 2.7 percent higher than 2013. The increase is attributed to regional economic growth and revitalization of commercial properties within the City.
- During 2012, the City began implementation of a comprehensive water rate increase, which was approved by City Council in December 2011 and is being phased-in over five years. In 2014, the third year of the phase-in, the total water fee collections equaled approximately \$856,000 on a cash basis, which is six percent higher than 2013.
- In December 2012, City Council approved a sewer rate increase, which is being phased-in over four years. In 2014, the second year of the phase-in, the total sewer collections equaled approximately \$737,000 on a cash basis, which is 6.5 percent higher than 2013.
- During 2014, the City made substantial investments in its road infrastructure. The largest was the completion of the Locust/Portage Street resurfacing, which was a \$1.2 million project shared by the City, Stark County, and the Ohio Public Works Commission (OPWC). The City also completed preliminary design work for widening the Cherry and Locust Street intersection, which is expected to be completed in 2016 and cost approximately \$2.9 million. Federal and State grants are expected to contribute 92.5 percent of construction costs. Finally, storm sewer improvements were made on Wooster Street that cost approximately \$138,000 and were funded through an OPWC loan.

### **Using this Annual Financial Report**

This report consists of a series of financial statements and notes to those statements. These statements are prepared and organized in a manner that allows the reader to look at the financial activities of the City of Canal Fulton as a whole and also allows the reader to obtain a more detailed view of the City's operations, if they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2014 and how they affected the operations of the City as a whole.

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 dollars remain 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.

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***Reporting the City of Canal Fulton as a Whole***

*Statement of Net Position and Statement of Activities*

The Statement of Net Position and the Statement of Activities provide summary information concerning the financial position and operations of the City as an entity. They provide a good resource for an overall evaluation of the City's financial performance. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting.

This method takes into account all revenues when they are earned and all expenses when they are incurred. These transactions are booked when they occur and not when the actual cash is received for revenues or when invoices are paid for expenses.

These two statements report the City's net position and changes in that position. The change in net position is important since it is an indication of whether the financial position of the City is improving or declining. However, to properly evaluate the operation of the City, certain non-cash items should be taken into consideration. These items would include the current economic situation as a whole, the current tax base for the City and the age and condition of the City's buildings and infrastructure.

In the Statement of Net Position and the Statement of Activities, the City is divided into two major activities:

Governmental Activities – Most of the City's programs and services are reported here, including general government, police, fire, transportation and leisure time activities.

Business-Type Activities – These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The City's business-type activities are water and sewer.

***Reporting on the Most Significant Funds of the City of Canal Fulton***

*Fund Financial Statements*

The analysis of the City's major funds begins on page 9. Fund financial statements give a detailed report of the activities within the funds. The City currently has eighteen funds, as presented in this report. These funds are in existence to provide a multitude of services to the citizens of Canal Fulton. Some funds provide for streets, police, fire and emergency medical service protection, capital improvements, water service and sewer service. Some also provide for the purchase of capital assets, while others provide for the payment of principal and interest on debt. Each fund is in some ways an entity unto itself. Each fund, other than the general fund, has a designated revenue stream and designated uses for the monies within the fund.

In this report, the focus is on seven major funds, the general fund, the street maintenance fund, the police fund, the fire/EMS fund, the capital improvements fund, the water fund, and the sewer fund.

***Governmental Funds*** All of the City's major activities (excluding the Utility Department) are reported in the governmental funds. This report shows how monies flow into and out of these funds and also shows what balances are available for future expenditures. The accounting method used to report this activity is the modified accrual method. This method reports cash and like-cash items that can be converted into cash. This shows what level of financial resources are available or will be available to provide the

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services that the general government will provide in the near future. These services include police, fire and emergency medical service protection, as well as improving and maintaining the City's streets. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds is reconciled in the financial statements.

**Proprietary Funds** Proprietary funds use the same basis of accounting as business-type activities. The City of Canal Fulton has two enterprise operations under the proprietary classification. They are the water fund and the sewer fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Canal Fulton's own programs.

**The City of Canal Fulton as a Whole**

The Statement of Net Position provides an overall view of the City. Table 1 shows a summary of the City's net position for 2014 as it compares to 2013.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and Other Assets	\$3,230,698	\$3,274,856	\$1,638,710	\$1,302,700	\$4,869,408	\$4,577,556
Capital Assets, Net	10,828,304	10,378,764	8,018,819	8,032,508	18,847,123	18,411,272
<i>Total Assets</i>	<u>14,059,002</u>	<u>13,653,620</u>	<u>9,657,529</u>	<u>9,335,208</u>	<u>23,716,531</u>	<u>22,988,828</u>
<b>Liabilities</b>						
Current Liabilities	142,691	118,946	51,608	47,052	194,299	165,998
Long-Term Liabilities:						
Due Within One Year	92,375	88,241	136,292	147,436	228,667	235,677
Due in More Than One Year	1,116,852	1,066,672	1,377,210	1,396,526	2,494,062	2,463,198
<i>Total Liabilities</i>	<u>1,351,918</u>	<u>1,273,859</u>	<u>1,565,110</u>	<u>1,591,014</u>	<u>2,917,028</u>	<u>2,864,873</u>
<b>Deferred Inflows of Resources</b>	<u>300,938</u>	<u>299,519</u>	<u>0</u>	<u>0</u>	<u>300,938</u>	<u>299,519</u>
<b>Net Position</b>						
Net Investment in Capital Assets	9,686,893	9,286,839	6,542,902	6,523,767	16,229,795	15,810,606
Restricted for:						
Capital Projects	229,167	141,739	0	0	229,167	141,739
Street Repair and Maintenance	476,418	445,553	0	0	476,418	445,553
Police Protection	193,117	194,407	0	0	193,117	194,407
Other Purposes	10,104	14,168	0	0	10,104	14,168
Unclaimed Monies	2,825	2,825	0	0	2,825	2,825
Unrestricted	1,807,622	1,994,711	1,549,517	1,220,427	3,357,139	3,215,138
<i>Total Net Position</i>	<u>\$12,406,146</u>	<u>\$12,080,242</u>	<u>\$8,092,419</u>	<u>\$7,744,194</u>	<u>\$20,498,565</u>	<u>\$19,824,436</u>

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Total assets increased in 2014 as a result of an increase in capital assets as projects begun in prior years were completed.

Long-term liabilities increased slightly due to a new loan from the Ohio Public Works Commission.

Table 2 shows the change in net position for 2014 as it compares to 2013.

**Table 2**  
**Change in Net Position**

	Governmental		Business - Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$193,556	\$178,705	\$1,716,159	\$1,673,319	\$1,909,715	\$1,852,024
Operating Grants and Contributions	526,441	329,947	0	0	526,441	329,947
Capital Grants and Contributions	387,758	765,324	10,286	0	398,044	765,324
<b>Total Program Revenues</b>	<b>1,107,755</b>	<b>1,273,976</b>	<b>1,726,445</b>	<b>1,673,319</b>	<b>2,834,200</b>	<b>2,947,295</b>
General Revenues:						
Property Taxes	303,610	280,098	0	0	303,610	280,098
Income Taxes	2,293,306	2,250,280	0	0	2,293,306	2,250,280
Grants and Entitlements	1,814	145,860	0	0	1,814	145,860
Interest	2,178	1,232	0	0	2,178	1,232
Other	64,497	41,633	34,289	13,395	98,786	55,028
<b>Total General Revenues</b>	<b>2,665,405</b>	<b>2,719,103</b>	<b>34,289</b>	<b>13,395</b>	<b>2,699,694</b>	<b>2,732,498</b>
<b>Total Revenues</b>	<b>3,773,160</b>	<b>3,993,079</b>	<b>1,760,734</b>	<b>1,686,714</b>	<b>5,533,894</b>	<b>5,679,793</b>
<b>Program Expenses</b>						
General Government	897,594	763,165	0	0	897,594	763,165
Security of Persons and Property	1,743,433	1,592,712	0	0	1,743,433	1,592,712
Transportation	562,997	481,443	0	0	562,997	481,443
Leisure Time Activities	136,787	124,813	0	0	136,787	124,813
Interest and Fiscal Charges	51,445	54,716	0	0	51,445	54,716
Water	0	0	680,780	648,508	680,780	648,508
Sewer	0	0	786,729	861,574	786,729	861,574
<b>Total Program Expenses</b>	<b>3,392,256</b>	<b>3,016,849</b>	<b>1,467,509</b>	<b>1,510,082</b>	<b>4,859,765</b>	<b>4,526,931</b>
Increase in Net Position						
Before Transfers	380,904	976,230	293,225	176,632	674,129	1,152,862
Transfers	(55,000)	(60,000)	55,000	60,000	0	0
<b>Increase in Net Position</b>	<b>325,904</b>	<b>916,230</b>	<b>348,225</b>	<b>236,632</b>	<b>674,129</b>	<b>1,152,862</b>
Net Position Beginning of Year	12,080,242	11,164,012	7,744,194	7,507,562	19,824,436	18,671,574
<b>Net Position End of Year</b>	<b>\$12,406,146</b>	<b>\$12,080,242</b>	<b>\$8,092,419</b>	<b>\$7,744,194</b>	<b>\$20,498,565</b>	<b>\$19,824,436</b>

In 2014, total revenues were less than total revenues in the prior year. A large part of this decrease is due to a decrease in capital grants and contributions.

Governmental expenses were higher in 2014 than in the prior year. The major contributing factors to these increases were increases in personal services related to security of persons and property expenses and general government expenses.

**City of Canal Fulton, Ohio**  
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***Governmental Activities***

The funding for governmental activities comes from several different sources, the most significant being the City's municipal income tax. Other prominent sources are property taxes, intergovernmental revenue, and charges for services.

The City's income tax was established to be effective January 1, 1984 at a rate of 0.5 percent. This rate was later increased to 0.75 percent effective January 1, 1996 and further increased to 1 percent effective January 1, 2001. In the November 2004 election, the voters of Canal Fulton elected to increase the income tax rate to 1.1 percent effective January 1, 2005. Lastly, effective on January 1, 2007, the income tax rate moved from the previous 1.1 percent to 1.5 percent. Also, January 1, 2003, the City allowed a 50 percent credit of the City's income tax rate for taxes paid to other political subdivisions in Ohio. On a full accrual basis, the City received income tax revenue of \$2,293,306.

The operations of the City's police and fire departments account for the largest expenses of the governmental activities, representing 51.39 percent of the total governmental activities expenses. The City's police department is a full-time 24-hour a day, 365-days a year department, with a chief, secretary, and nine patrolmen comprising the full-time employees and two part-time patrolmen. The fire department is staffed by part-time firefighters. The remaining amount that is needed to operate the police and fire departments is subsidized by the general fund and income tax revenue.

***Business-Type Activities***

The City operates a Utility Department consisting of water and sewer services. The water utility includes a water treatment plant, the water distribution system, and the water utility administration. The sewer utility includes the wastewater collection system, wastewater treatment plant, and sewer utility administration.

The water utility services 2,105 customer accounts, which include customers within the City as well as customers outside of the City. The City owns and maintains the water treatment plant, which is located within the City, and the water lines of the distribution system, which are primarily located within the City, used to service the customers of the water utility.

Residential water customers within the City pay a water rate of \$2.32 per thousand gallons of usage plus a minimum fixed-rate charge of \$17.50 per month. Residential water customers outside the City pay a water rate of \$5.80 per thousand gallons of usage plus a minimum fixed-rate charge of \$17.50 per month. In December 2011, City Council approved a five-year phased-in water rate increase, which increases the minimum fixed-rate monthly charge during January of each year starting in 2012 and ending in 2016. Starting in January 2017, the per gallon water usage charge and minimum fixed-rate monthly charge will be subject to inflationary increases based upon the Consumer Price Index (CPI).

The City's water treatment plant treats an average of 435,000 gallons of water per day with a capacity to treat an additional 400,000 gallons per day. The raw water is supplied by five wells in the well field co-located with the water treatment plant, which was built in 1989.

The sewer utility services 2,019 customer accounts. The City owns and maintains the sewer lines of the collection system, which are located primarily within the City, and the wastewater treatment plant, which is located in neighboring Lawrence Township.

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Sewer customers with a water meter pay a sewer rate of \$2.82 per thousand gallons of usage plus a minimum fixed-rate charge of \$16.53 per month. Sewer customers without a water meter pay an unmetered flat sewer rate of \$28.02 per month. As of December 31, 2014, there were 54 sewer customer accounts paying the flat sewer rate. In December 2012, City Council approved a four-year phased-in sewer rate increase, which increases the minimum fixed-rate monthly charge during January of each year starting in 2013 and ending in 2016. Starting in January 2017, the per gallon sewer usage charge and minimum fixed-rate monthly charge will be subject to inflationary increases based upon the Consumer Price Index (CPI).

The City's wastewater treatment plant treats an average of 575,000 gallons of wastewater per day with a capacity to treat an additional 925,000 gallons per day. The wastewater treatment plant was built in 1983.

Through the Joint User Cost System with the Stark County Metropolitan Sewer District, the City receives wastewater from a portion of the Stark County Metropolitan Sewer District system located in northwestern Stark County and then processes this wastewater at the City's wastewater treatment plant. The Stark County Metropolitan Sewer District subsequently reimburses the City forty-percent of capital expenditures incurred for the wastewater treatment plant. In addition, the Stark County Metropolitan Sewer District reimburses the City for the operating expenses incurred within the Joint User Costs System based upon the number of City and Stark County Metropolitan Sewer District users connected to the sewer system.

As of December 31, 2014, the Joint User Cost System had 3,313 single family home equivalent connections, of which the combined total of all City sewer customers comprised 83.4 percent of the single family home equivalent connections and the remaining 16.6 percent were located in the Stark County Metropolitan Sewer District. In 2014, the City sewer utility received \$87,716 (on a cash basis) from the Stark County Metropolitan Sewer District for the operations of the Joint User Cost System.

The revenues and expenses for both of these utilities are reported under the business-type activities in Table 2. The majority of revenues are derived from charges for services. In 2014, revenues of \$1,760,734 were more than the total expenses for the utilities of \$1,467,509, resulting in income before transfers of \$293,225 for the business-type activities.

### **The City's Funds**

Information about the City's governmental funds begins on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$3,687,907 and expenditures of \$3,922,666. The City's general fund reflected a decrease in fund balance of \$103,030, which was due to a decrease in total revenue accompanied by an increase in expenditures and transfers out to other funds, and carries forward an ending fund balance of \$1,263,836. The police and fire/ems funds also had negative changes in fund balance with ending fund balances of \$164,948 and \$144,261, respectively. Although the police and fire/ems funds received transfers in during 2014, they were not sufficient to cover current year expenditures. The street maintenance and capital improvements funds had positive changes in fund balance with ending fund balances of \$225,850 and \$154,381, respectively.

Information about the proprietary funds starts on page 26. These funds are accounted for on an accrual basis. All enterprise funds had operating revenues of \$1,750,448 and an operating income of \$303,387.

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***Budgeting Highlights***

The City's budget is prepared according to the laws of the State of Ohio and is based on accounting for certain transactions on a cash basis for receipts, expenditures, and encumbrances. The most significant budgeted fund is the general fund. The legal level of budgetary control is at the personnel costs and other non-payroll costs appropriation groups within each department as established by appropriation ordinance passed by City Council. Any budgetary modifications at this level may only be made by supplemental appropriation ordinance of City Council. City Council approves an annual budget resolution detailing its initial expenditure budget at the more detailed expense line-item level than the original appropriation ordinance. The budget resolution grants the Finance Director authority to shift the budget expenditures between individual expense line-items as long as the total appropriations of the appropriation groups are not violated and the changes are reported to City Council monthly. Inter-fund transfers and advances are approved for their total annual amount as a part of the annual appropriation ordinance and supplemental appropriation ordinances passed by City Council. Monthly posting of inter-fund transfers and advances as well as their year-to-date totals are reported to City Council monthly.

Strong emphasis is placed on fund balances. The Finance Director reviews the fund balances on a daily basis. Special attention is paid to the City's largest funds, which are the general, water, and sewer funds. Council receives a monthly report showing the beginning fund balance for all funds at the beginning of the year, monthly and year-to-date revenues, and the current fund balance.

Line item reports are reviewed regularly by the Finance Director. The department heads, as well as the City Manager, also monitor their appropriations to ensure the entire operation of the City operates within the appropriations.

For the general fund, original and final budgeted revenues were \$2,507,399 and \$2,482,893, respectively, and actual revenue collections were \$2,497,926. The increase in budgeted to actual revenue was primarily due to higher fines and forfeitures revenue.

Also in the general fund, the original budgeted expenditures and final budgeted expenditures were \$893,535 and \$998,535, respectively. The actual expenditures were \$924,314. The main difference between actual expenditures and final appropriations was mainly due to diligent oversight of expenditures for contracted services and supplies by the Administrative, Finance, Income Tax, Parks and Recreation, and Lands and Buildings departments, each of which spent approximately \$19,400, \$11,700, \$9,800, \$11,000 and \$11,700, respective, less than anticipated. The City's ending unencumbered cash balance in the general fund was \$89,254 above the final budgeted amount.

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**Capital Assets and Debt Administration**

*Capital Assets*

**Table 3**  
**Capital Assets at December 31**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$3,023,152	\$3,023,152	\$234,514	\$234,514	\$3,257,666	\$3,257,666
Construction in Progress	194,288	923,540	199,800	102,201	394,088	1,025,741
Buildings and Improvements	2,829,789	2,925,436	2,026,096	2,096,749	4,855,885	5,022,185
Equipment and Machinery	141,873	93,967	67,861	72,145	209,734	166,112
Vehicles	182,531	205,012	41,776	27,451	224,307	232,463
Infrastructure						
Roads	2,405,630	1,307,463	0	0	2,405,630	1,307,463
Storm Sewers	2,051,041	1,900,194	0	0	2,051,041	1,900,194
Water Lines	0	0	2,910,848	2,996,317	2,910,848	2,996,317
Sewer Lines	0	0	2,537,924	2,503,131	2,537,924	2,503,131
Totals	<u>\$10,828,304</u>	<u>\$10,378,764</u>	<u>\$8,018,819</u>	<u>\$8,032,508</u>	<u>\$18,847,123</u>	<u>\$18,411,272</u>

Total capital assets for the City at December 31, 2014, were valued at \$18,847,123, which reflects an increase of \$435,851 from the 2013 ending balance of \$18,411,272. The primary cause for this increase in capital assets is due to a large increase in roads related to the completion of the resurfacing of Locust Street and Portage Street. See Note 11 in the financial statements for more information regarding the City's capital assets.

*Debt*

The outstanding debt for the City as of December 31, 2014, was \$2,624,333. This balance reflects an increase of \$16,025 from the previous year's balance of \$2,608,308, which is an increase of 0.61 percent.

**Table 4**  
**Outstanding Debt at December 31**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$962,005	\$1,032,642	\$0	\$0	\$962,005	\$1,032,642
Water Bonds	0	0	472,554	507,809	472,554	507,809
OPWC Loans	137,727	0	1,003,363	1,000,932	1,141,090	1,000,932
Capital Lease	48,684	66,925	0	0	48,684	66,925
Totals	<u>\$1,148,416</u>	<u>\$1,099,567</u>	<u>\$1,475,917</u>	<u>\$1,508,741</u>	<u>\$2,624,333</u>	<u>\$2,608,308</u>

The general obligation bonds are for fire station construction bonds. The fire station bonds will be repaid in 2025. Property tax revenue and general revenues will be used to repay these bonds.

**City of Canal Fulton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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The water bonds category includes a 20 year bond with interest rates of 3 – 4.5 percent. This bond will be retired in 2025 and is for the construction of a waterline to the Northwest Local School District campus.

The OPWC Loans are comprised of nine separate, zero percent interest loans. The purpose of these loans are for the construction and improvement of various water and sewer projects, which the most notable is the Water Treatment Plant and Wellfield Expansion project. These loans will be repaid over a period of 30 years by user fees. The loans will be retired anywhere from 2015 to 2041.

See Note 15 in the financial statements for more information regarding the City's debt.

### **Current Financial Issues**

Over the past twenty years, income tax collections (on a cash basis) have increased from \$425,403 in 1993, to \$2,303,383 in 2014. This is largely attributed to the voter approved, four tenths of a percent increase that began in 2008. In addition, the Northwest Local School District became the City's largest employer in June 2008 through annexation. The voters also approved a one tenth of a percent income tax rate levy dedicated to the Police Department. The remaining one and four tenths of a percent income tax rate levies are receipted into the general fund, from where it is distributed to various City departments and funds via transfers in the annual appropriation ordinances adopted by City Council. Transfers from the general fund to the various funds are used to support the operating expenses and capital improvements for all City departments except the water and sewer utilities. Because income taxes represent the primary source for funding the City's traditional government functions (Police, Fire, Administration, etc.), it is vital that the City continue to monitor income tax collections to ensure future growth.

The City worked on several large scale road improvements during 2014 including the resurfacing of Locust and Portage Streets, the preliminary design work to widen the Cherry and Locust Streets intersection, and the annual chip and seal maintenance program. The Locust and Portage Streets resurfacing project was completed at a total cost of approximately \$1.2 million, with funding coming from the City (14 percent), Stark County (12 percent), and the Ohio Public Works Commission (74 percent). Similarly, the City developed preliminary design work for widening the Cherry and Locust Street intersection, which is expected to cost approximately \$2.9 million with Federal and State grants paying 92.5 percent. It is anticipated that this project will be completed in 2016. Finally, the City completed a substantial chip and seal road maintenance program in 2014 with 6.05 miles of roadway being resurfaced at a cost of approximately \$72,000.

The majority of the City's debt consists of bonds and zero percent interest OPWC loans owed by the water and sewer utilities, which will be repaid from user fees charged by the respective utility. In 2014, the City was awarded an OPWC twenty-year, zero percent interest loan for \$137,727 to reconstruct the Wooster Street Storm Sewer. The semi-annual debt service payments for this loan will be made from general fund resources and will equal \$3,443 beginning in 2015. The City was also awarded an OPWC twenty-year, zero percent interest loan for approximately \$174,000 to reconstruct the influent bar screen at the Wastewater Treatment Plant. It is anticipated that this project will be completed in 2015, and debt service payments will occur from the sewer fees beginning in 2016.

**City of Canal Fulton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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City Council adopted ordinances in 2011 and 2012 that created five-year phase in plans for increasing the water and sewer rates. The increase in water fees has enabled the City to stop the historical practice of subsidizing the water utility via transfers from the general fund. Similarly, the sewer rate increase has enabled the sewer utility to make substantial investments in capital upgrades including needed building repairs, reconstruction of the influent bar screen, and required maintenance to sewer infrastructure. Once complete, the rate increases should allow both utilities to build reserves to fund future capital improvements and meet the increased debt service requirements.

In conclusion, between the growth in income tax collections, the scheduled rate increases for the utilities, and prudent management; the City has taken appropriate steps to ensure that it continues to maintain financial stability and is prepared to meet future challenges.

**Contacting the City's Finance Department**

This report is intended to provide our citizens and anyone interested in the financial aspects of the City of Canal Fulton a general overview of our financial operation. If there are any questions, please feel free to contact the Finance Director, William Rouse, City of Canal Fulton, 155 East Market Street, Canal Fulton, Ohio 44614, telephone (330) 854-6761 or website at [www.cityofcanalfulton.org](http://www.cityofcanalfulton.org).

**City of Canal Fulton, Ohio**

*Statement of Net Position*

*December 31, 2014*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,060,348	\$1,418,403	\$3,478,751
Accrued Interest Receivable	1,467	0	1,467
Accounts Receivable	16,907	140,433	157,340
Internal Balances	(64,600)	64,600	0
Intergovernmental Receivable	316,577	10,286	326,863
Materials and Supplies Inventory	25,386	4,988	30,374
Income Taxes Receivable	563,000	0	563,000
Property Taxes Receivable	311,613	0	311,613
Nondepreciable Capital Assets	3,217,440	434,314	3,651,754
Depreciable Capital Assets, Net	7,610,864	7,584,505	15,195,369
<i>Total Assets</i>	<u>14,059,002</u>	<u>9,657,529</u>	<u>23,716,531</u>
<b>Liabilities</b>			
Accounts Payable	80,072	22,918	102,990
Accrued Wages	14,760	6,177	20,937
Intergovernmental Payable	31,769	11,468	43,237
Vacation Benefits Payable	11,688	5,061	16,749
Accrued Interest Payable	4,402	5,984	10,386
Long-Term Liabilities:			
Due Within One Year	92,375	136,292	228,667
Due In More Than One Year	1,116,852	1,377,210	2,494,062
<i>Total Liabilities</i>	<u>1,351,918</u>	<u>1,565,110</u>	<u>2,917,028</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	300,938	0	300,938
<b>Net Position</b>			
Net Investment in Capital Assets	9,686,893	6,542,902	16,229,795
Restricted for:			
Capital Projects	229,167	0	229,167
Street Repair and Maintenance	476,418	0	476,418
Police Protection	193,117	0	193,117
Other Purposes	10,104	0	10,104
Unclaimed Monies	2,825	0	2,825
Unrestricted	1,807,622	1,549,517	3,357,139
<i>Total Net Position</i>	<u>\$12,406,146</u>	<u>\$8,092,419</u>	<u>\$20,498,565</u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2014

	Program Revenues			
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses				
<b>Governmental Activities:</b>				
General Government	\$897,594	\$23,265	\$119,120	\$0
Security of Persons and Property	1,743,433	126,494	46,070	0
Transportation	562,997	451	353,130	375,769
Leisure Time Activities	136,787	43,346	8,121	11,989
Interest and Fiscal Charges	51,445	0	0	0
<i>Total Governmental Activities</i>	<u>3,392,256</u>	<u>193,556</u>	<u>526,441</u>	<u>387,758</u>
<b>Business-Type Activities:</b>				
Water	680,780	855,225	0	82
Sewer	786,729	860,934	0	10,204
<i>Total Business-Type Activities</i>	<u>1,467,509</u>	<u>1,716,159</u>	<u>0</u>	<u>10,286</u>
<i>Total</i>	<u>\$4,859,765</u>	<u>\$1,909,715</u>	<u>\$526,441</u>	<u>\$398,044</u>

**General Revenues**

Property Taxes Levied for:  
    General Purposes  
    Capital Projects  
Income Tax Levied for:  
    General Purposes  
    Other Purposes  
Grants and Entitlements not  
    Restricted to Specific Programs  
Interest  
Other

*Total General Revenues*

Transfers

*Total General Revenues and  
Transfers*

*Change in Net Position*

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$755,209)	\$0	(\$755,209)
(1,570,869)	0	(1,570,869)
166,353	0	166,353
(73,331)	0	(73,331)
(51,445)	0	(51,445)
(2,284,501)	0	(2,284,501)
0	174,527	174,527
0	84,409	84,409
0	258,936	258,936
(2,284,501)	258,936	(2,025,565)
184,963	0	184,963
118,647	0	118,647
2,139,654	0	2,139,654
153,652	0	153,652
1,814	0	1,814
2,178	0	2,178
64,497	34,289	98,786
2,665,405	34,289	2,699,694
(55,000)	55,000	0
2,610,405	89,289	2,699,694
325,904	348,225	674,129
12,080,242	7,744,194	19,824,436
<u>\$12,406,146</u>	<u>\$8,092,419</u>	<u>\$20,498,565</u>

**City of Canal Fulton, Ohio**

*Balance Sheet  
Governmental Funds  
December 31, 2014*

	General	Street Maintenance	Police	Fire/ EMS	Capital Improvements
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$603,527	\$185,974	\$188,343	\$143,870	\$636,248
Accrued Interest Receivable	1,467	0	0	0	0
Accounts Receivable	3,327	0	0	13,580	0
Interfund Receivable	528,000	0	0	0	0
Intergovernmental Receivable	61,374	122,918	40,176	107	24,750
Income Taxes Receivable	525,278	0	37,722	0	0
Property Taxes Receivable	188,397	0	0	0	0
Materials and Supplies Inventory	0	25,386	0	0	0
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	2,825	0	0	0	0
<b>Total Assets</b>	<b>\$1,914,195</b>	<b>\$334,278</b>	<b>\$266,241</b>	<b>\$157,557</b>	<b>\$660,998</b>
<b>Liabilities</b>					
Accounts Payable	\$35,262	\$2,862	\$12,102	\$2,780	\$6,617
Accrued Wages	2,508	1,406	7,280	3,566	0
Intergovernmental Payable	5,855	2,701	15,903	6,950	0
Interfund Payable	0	0	0	0	500,000
<b>Total Liabilities</b>	<b>43,625</b>	<b>6,969</b>	<b>35,285</b>	<b>13,296</b>	<b>506,617</b>
<b>Deferred Inflows of Resources</b>					
Property Taxes	181,888	0	0	0	0
Unavailable Revenue	424,846	101,459	66,008	0	0
<b>Total Deferred Inflows of Resources</b>	<b>606,734</b>	<b>101,459</b>	<b>66,008</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>					
Nonspendable	2,825	25,386	0	0	0
Restricted	0	200,464	164,948	0	154,381
Committed	0	0	0	144,261	0
Assigned	93,874	0	0	0	0
Unassigned (Deficit)	1,167,137	0	0	0	0
<b>Total Fund Balances</b>	<b>1,263,836</b>	<b>225,850</b>	<b>164,948</b>	<b>144,261</b>	<b>154,381</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$1,914,195</b>	<b>\$334,278</b>	<b>\$266,241</b>	<b>\$157,557</b>	<b>\$660,998</b>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2014*

Other Governmental Funds	Total Governmental Funds		
		<b>Total Governmental Fund Balances</b>	<b>\$2,146,906</b>
		<i>Amounts reported for governmental activities in 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.	10,828,304
\$299,561	\$2,057,523		
0	1,467		
0	16,907		
0	528,000		
67,252	316,577	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:	
0	563,000	Delinquent Property Taxes	60,141
123,216	311,613	Income Taxes	388,182
0	25,386	Intergovernmental	207,930
		Total	656,253
0	2,825	Vacation benefits payable is a contractually required benefit not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(11,688)
\$490,029	\$3,823,298		
		Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(4,402)
\$20,449	\$80,072		
0	14,760	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
360	31,769	General Obligation Bonds	(955,000)
92,600	592,600	Premiums on Bonds	(7,005)
113,409	719,201	OPWC Loan Payable	(137,727)
		Capital Lease Payable	(48,684)
		Compensated Absences	(60,811)
		Total	(1,209,227)
119,050	300,938		
63,940	656,253	<i>Net Position of Governmental Activities</i>	<i>\$12,406,146</i>
182,990	957,191		
0	28,211		
221,572	741,365		
25,765	170,026		
33,596	127,470		
(87,303)	1,079,834		
193,630	2,146,906		
\$490,029	\$3,823,298		

**City of Canal Fulton, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2014*

	General	Street Maintenance	Police	Fire/ EMS	Capital Improvements
<b>Revenues</b>					
Property Taxes	\$185,216	\$0	\$0	\$0	\$0
Income Taxes	2,114,523	0	151,848	0	0
Charges for Services	4,945	0	0	124,626	0
Fines, Licenses and Permits	20,622	0	354	0	0
Intergovernmental	112,050	242,076	1,249	4,340	375,769
Interest	2,089	56	0	0	0
Contributions and Donations	4,034	0	480	0	0
Other	21,423	0	28,460	7,619	6,464
<i>Total Revenues</i>	<u>2,464,902</u>	<u>242,132</u>	<u>182,391</u>	<u>136,585</u>	<u>382,233</u>
<b>Expenditures</b>					
Current:					
General Government	806,201	0	0	0	0
Security of Persons and Property	0	0	1,141,970	482,992	0
Transportation	15,602	229,971	0	0	0
Leisure Time Activities	64,129	0	0	0	0
Capital Outlay	0	0	0	0	797,427
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
<i>Total Expenditures</i>	<u>885,932</u>	<u>229,971</u>	<u>1,141,970</u>	<u>482,992</u>	<u>797,427</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,578,970</u>	<u>12,161</u>	<u>(959,579)</u>	<u>(346,407)</u>	<u>(415,194)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds of OPWC Loans	0	0	0	0	137,727
Transfers In	0	0	926,000	310,000	366,000
Transfers Out	(1,682,000)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,682,000)</u>	<u>0</u>	<u>926,000</u>	<u>310,000</u>	<u>503,727</u>
<i>Net Change in Fund Balances</i>	(103,030)	12,161	(33,579)	(36,407)	88,533
<i>Fund Balances Beginning of Year</i>	<u>1,366,866</u>	<u>213,689</u>	<u>198,527</u>	<u>180,668</u>	<u>65,848</u>
<i>Fund Balances End of Year</i>	<u>\$1,263,836</u>	<u>\$225,850</u>	<u>\$164,948</u>	<u>\$144,261</u>	<u>\$154,381</u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2014*

Other Governmental Funds	Total Governmental Funds		
		<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$152,032)
		<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
		Governmental funds report capital outlay as an expenditure. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
\$117,997	\$303,213	Capital Asset Additions	815,076
0	2,266,371	Current Year Depreciation	(365,536)
41,495	171,066		
1,514	22,490		
118,036	853,520		
33	2,178		
58	4,572		
531	64,497		
<u>279,664</u>	<u>3,687,907</u>	<b>Total</b>	<b>449,540</b>
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
0	806,201	Delinquent Property Taxes	397
2,924	1,627,886	Income Taxes	26,935
89,954	335,527	Intergovernmental	57,921
46,153	110,282		
104,560	901,987		
88,241	88,241	<b>Total</b>	<b>85,253</b>
52,542	52,542	Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
<u>384,374</u>	<u>3,922,666</u>		<b>88,241</b>
		Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities.	
(104,710)	(234,759)		(137,727)
		Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
0	137,727	Accrued Interest	460
25,000	1,627,000	Amortization of Premiums on Bonds	637
0	(1,682,000)		
25,000	82,727		
(79,710)	(152,032)	<b>Total</b>	<b>1,097</b>
<u>273,340</u>	<u>2,298,938</u>	Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
\$193,630	\$2,146,906	Compensated Absences	(5,465)
		Vacation Benefits Payable	(3,003)
		<b>Total</b>	<b>(8,468)</b>
		<b>Change in Net Position of Governmental Activities</b>	<b>\$325,904</b>

**City of Canal Fulton, Ohio**  
*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$186,971	\$185,144	\$185,216	\$72
Income Taxes	2,178,577	2,157,284	2,149,056	(8,228)
Charges for Services	4,191	4,150	4,945	795
Fines, Licenses, and Permits	7,549	7,475	23,839	16,364
Intergovernmental	109,106	108,040	111,718	3,678
Interest	202	200	1,022	822
Contributions and Donations	505	500	4,034	3,534
Other	20,298	20,100	18,096	(2,004)
<i>Total Revenues</i>	<u>2,507,399</u>	<u>2,482,893</u>	<u>2,497,926</u>	<u>15,033</u>
<b>Expenditures</b>				
Current:				
General Government	809,005	907,005	844,379	62,626
Transportation	16,200	16,200	15,602	598
Leisure Time Activities	68,330	75,330	64,333	10,997
<i>Total Expenditures</i>	<u>893,535</u>	<u>998,535</u>	<u>924,314</u>	<u>74,221</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,613,864</u>	<u>1,484,358</u>	<u>1,573,612</u>	<u>89,254</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	25,494	50,000	50,000	0
Advances Out	0	(28,000)	(28,000)	0
Transfers In	25,000	75,000	75,000	0
Transfers Out	(1,707,000)	(1,757,000)	(1,757,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,656,506)</u>	<u>(1,660,000)</u>	<u>(1,660,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(42,642)	(175,642)	(86,388)	89,254
<i>Fund Balance Beginning of Year</i>	632,188	632,188	632,188	0
Prior Year Encumbrances Appropriated	13,640	13,640	13,640	0
<i>Fund Balance End of Year</i>	<u>\$603,186</u>	<u>\$470,186</u>	<u>\$559,440</u>	<u>\$89,254</u>

See accompanying notes to the basic financial statement:

**City of Canal Fulton, Ohio**  
*Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 Street Maintenance Fund  
 For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$231,000	\$231,000	\$242,659	\$11,659
Interest	0	0	56	56
<i>Total Revenues</i>	231,000	231,000	242,715	11,715
<b>Expenditures</b>				
Current:				
Transportation	307,266	307,266	263,805	43,461
<i>Net Change in Fund Balance</i>	(76,266)	(76,266)	(21,090)	55,176
<i>Fund Balance Beginning of Year</i>	171,037	171,037	171,037	0
Prior Year Encumbrances Appropriated	17,541	17,541	17,541	0
<i>Fund Balance End of Year</i>	<u>\$112,312</u>	<u>\$112,312</u>	<u>\$167,488</u>	<u>\$55,176</u>

See accompanying notes to the basic financial statement:

**City of Canal Fulton, Ohio**  
*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Police Fund  
For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Income Taxes	\$154,000	\$154,000	\$154,327	\$327
Fines, Licenses and Permits	700	700	354	(346)
Intergovernmental	40,000	40,000	1,073	(38,927)
Contributions and Donations	0	0	480	480
Other	23,500	23,500	28,460	4,960
<i>Total Revenues</i>	218,200	218,200	184,694	(33,506)
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,180,434	1,180,434	1,151,715	28,719
<i>Excess of Revenues Under Expenditures</i>	(962,234)	(962,234)	(967,021)	(4,787)
<b>Other Financing Sources</b>				
Transfers In	926,000	926,000	926,000	0
<i>Net Change in Fund Balance</i>	(36,234)	(36,234)	(41,021)	(4,787)
<i>Fund Balance Beginning of Year</i>	202,644	202,644	202,644	0
Prior Year Encumbrances Appropriated	6,509	6,509	6,509	0
<i>Fund Balance End of Year</i>	<u>\$172,919</u>	<u>\$172,919</u>	<u>\$168,132</u>	<u>(\$4,787)</u>

See accompanying notes to the basic financial statement:

**City of Canal Fulton, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire/EMS Fund*  
*For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for Services	\$130,000	\$130,000	\$118,119	(\$11,881)
Intergovernmental	0	0	4,233	4,233
Other	1,000	1,000	7,619	6,619
<i>Total Revenues</i>	131,000	131,000	129,971	(1,029)
<b>Expenditures</b>				
Current:				
Security of Persons and Property	514,215	522,215	493,834	28,381
<i>Excess of Revenues Under Expenditures</i>	(383,215)	(391,215)	(363,863)	27,352
<b>Other Financing Sources</b>				
Transfers In	310,000	310,000	310,000	0
<i>Net Change in Fund Balance</i>	(73,215)	(81,215)	(53,863)	27,352
<i>Fund Balance Beginning of Year</i>	191,054	191,054	191,054	0
Prior Year Encumbrances Appropriated	2,540	2,540	2,540	0
<i>Fund Balance End of Year</i>	<u>\$120,379</u>	<u>\$112,379</u>	<u>\$139,731</u>	<u>\$27,352</u>

See accompanying notes to the basic financial statement:

**City of Canal Fulton, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2014*

	Water	Sewer	Total
<b>Assets</b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$727,636	\$690,767	\$1,418,403
Materials and Supplies Inventory	819	4,169	4,988
Accounts Receivable	76,918	63,515	140,433
Interfund Receivable	29,700	34,900	64,600
Intergovernmental Receivable	82	10,204	10,286
<i>Total Current Assets</i>	<u>835,155</u>	<u>803,555</u>	<u>1,638,710</u>
<i>Noncurrent Assets:</i>			
Nondepreciable Capital Assets	100,228	334,086	434,314
Depreciable Capital Assets, Net	3,762,514	3,821,991	7,584,505
<i>Total Noncurrent Assets</i>	<u>3,862,742</u>	<u>4,156,077</u>	<u>8,018,819</u>
<i>Total Assets</i>	<u>4,697,897</u>	<u>4,959,632</u>	<u>9,657,529</u>
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Accounts Payable	7,719	15,199	22,918
Accrued Wages	3,089	3,088	6,177
Intergovernmental Payable	5,738	5,730	11,468
Vacation Benefits Payable	2,531	2,530	5,061
Accrued Interest Payable	5,984	0	5,984
General Obligation Bonds Payable	35,000	0	35,000
OPWC Loans Payable	57,749	43,543	101,292
<i>Total Current Liabilities</i>	<u>117,810</u>	<u>70,090</u>	<u>187,900</u>
<i>Long-Term Liabilities:</i>			
General Obligation Bonds Payable	437,554	0	437,554
OPWC Loans Payable	421,079	480,992	902,071
Compensated Absences Payable	17,189	20,396	37,585
<i>Total Long-Term Liabilities</i>	<u>875,822</u>	<u>501,388</u>	<u>1,377,210</u>
<i>Total Liabilities</i>	<u>993,632</u>	<u>571,478</u>	<u>1,565,110</u>
<b>Net Position</b>			
Net Investment in Capital Assets	2,911,360	3,631,542	6,542,902
Unrestricted	792,905	756,612	1,549,517
<i>Total Net Position</i>	<u>\$3,704,265</u>	<u>\$4,388,154</u>	<u>\$8,092,419</u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2014*

	Water	Sewer	Total
<b>Operating Revenues</b>			
Charges for Services	\$855,225	\$860,934	\$1,716,159
Other	30,850	3,439	34,289
<i>Total Operating Revenues</i>	<u>886,075</u>	<u>864,373</u>	<u>1,750,448</u>
<b>Operating Expenses</b>			
Personal Services	295,824	295,049	590,873
Fringe Benefits	106,944	94,620	201,564
Contractual Services	92,487	194,008	286,495
Materials and Supplies	40,900	50,170	91,070
Depreciation	124,167	152,434	276,601
Other	10	448	458
<i>Total Operating Expenses</i>	<u>660,332</u>	<u>786,729</u>	<u>1,447,061</u>
<i>Operating Income</i>	225,743	77,644	303,387
<b>Non-Operating Expenses</b>			
Interest and Fiscal Charges	(20,448)	0	(20,448)
<i>Income before Capital Contributions and Transfers</i>	205,295	77,644	282,939
Capital Contributions	82	10,204	10,286
Transfers In	55,000	0	55,000
<i>Change in Net Position</i>	260,377	87,848	348,225
<i>Net Position Beginning of Year</i>	<u>3,443,888</u>	<u>4,300,306</u>	<u>7,744,194</u>
<i>Net Position End of Year</i>	<u>\$3,704,265</u>	<u>\$4,388,154</u>	<u>\$8,092,419</u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2014

	Water	Sewer	Total
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$857,142	\$866,162	\$1,723,304
Other Cash Receipts	30,850	3,439	34,289
Cash Payments to Employees for Services	(393,905)	(393,557)	(787,462)
Cash Payments for Goods and Services	(132,245)	(242,829)	(375,074)
Other Cash Payments	(10)	(448)	(458)
<i>Net Cash Provided by Operating Activities</i>	<u>361,832</u>	<u>232,767</u>	<u>594,599</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
OPWC Loans Issued	0	114,866	114,866
Principal Paid on Bonds	(35,000)	0	(35,000)
Interest Paid on Bonds	(21,113)	0	(21,113)
Principal Paid on OPWC Loans	(68,892)	(43,543)	(112,435)
Payments for Capital Acquisitions	(82,435)	(180,477)	(262,912)
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(207,440)</u>	<u>(109,154)</u>	<u>(316,594)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Advances Out	(79,700)	(34,900)	(114,600)
Transfer In	55,000	0	55,000
<i>Net Cash Used in Noncapital Financing Activities</i>	<u>(24,700)</u>	<u>(34,900)</u>	<u>(59,600)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	129,692	88,713	218,405
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>597,944</u>	<u>602,054</u>	<u>1,199,998</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$727,636</u></u>	<u><u>\$690,767</u></u>	<u><u>\$1,418,403</u></u>
			(continued)

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
For the Year Ended December 31, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	\$225,743	\$77,644	\$303,387
Adjustments:			
Depreciation	124,167	152,434	276,601
(Increase) Decrease in Assets:			
Materials and Supplies Inventory	22	114	136
Accounts Receivable	1,917	5,228	7,145
Increase (Decrease) in Liabilities:			
Accounts Payable	1,178	1,293	2,471
Accrued Wages	1,084	777	1,861
Intergovernmental Payable	207	135	342
Vacation Benefits Payable	606	(314)	292
Compensated Absences Payable	6,908	(4,544)	2,364
<i>Net Cash Provided by Operating Activities</i>	<u>\$361,832</u>	<u>\$232,767</u>	<u>\$594,599</u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2014*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$13,064</u></u>
<b>Liabilities</b>	
Undistributed Assets	<u><u>\$13,064</u></u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 1 – Description of the City and Reporting Entity**

As a result of the 2000 census, Canal Fulton, formerly known as the Village of Canal Fulton, became the City of Canal Fulton. The City of Canal Fulton (the "City") is a charter municipal corporation, incorporated under the laws of the State of Ohio. The City operated under a Mayor-City Manager-Council form of government. The Mayor and Council are elected to staggered four year terms. The City Manager is appointed by the Mayor.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government provides the following services to its citizens: water and sewer utilities, park operations (leisure time activities), street maintenance and repairs, police and fire protection and emergency medical services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. There are no component units included as part of this report.

The City participates in the Stark County Regional Planning Commission, the Stark Council of Governments, and the Stark County District Board of Health as jointly governed organizations, the Local Organized Governments in Cooperation, which is defined as a joint venture, and the Northwest Stark Senior Citizens Commission and the Stark County Schools Council of Governments, which are defined as related organizations. These organizations are presented in Notes 12, 13, and 14 to the basic financial statements.

**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the City of Canal Fulton have been prepared in conformity with generally accepted accounting principles (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 more significant of the City's accounting policies are described below.

***Basis of Presentation***

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.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***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.

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 governmental program or business activity is self-financing or draws from the general revenues of the City.

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

***Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City's funds are classified as either governmental, proprietary or fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions 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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

***General Fund*** The general fund accounts for and reports all financial resources 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 charter of the City of Canal Fulton and/or the general laws of Ohio.

***Street Maintenance Fund*** The street maintenance fund accounts for and reports State gasoline tax and motor vehicle registration fees restricted for the expenditures related to maintaining the roads within the City.

***Police Fund*** The police fund accounts for and reports income taxes levied and restricted for expenditures related to police protection in the City.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***Fire/EMS Fund*** The fire/EMS fund accounts for and reports charges for services committed to expenditures related to fire protection and emergency medical services in the City.

***Capital Improvements Fund*** The capital improvements fund accounts for and reports grants restricted for capital improvements in the City.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The City has no internal service funds.

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

***Water Fund*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the City.

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

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City has two agency funds, one of which is used for performance bonds and security deposits, while the other is maintained for general purposes.

***Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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

***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; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Nonexchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the 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 thirty-one days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. 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 the 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 and motor vehicle license fees), fines, interest, grants and rentals.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statement 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.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 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

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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not be collected within the available period. For the City, unavailable revenue includes income taxes, delinquent property taxes, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***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.

***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 City records. Interest in the pool is presented as “equity in pooled cash and cash equivalents”. The City had no investments during the year or at year-end.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2014 amounted to \$2,089, which includes \$1,448 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

***Capital Assets***

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital 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 enterprise 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. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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received. The City maintains a capitalization threshold of five thousand dollars. 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 proprietary fund capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50 years
Equipment and Machinery	5-10 years
Vehicles	5-15 years
Infrastructure	20-75 years

The City's current infrastructure consists of roads, storm sewers and water and sewer lines. For 2003, the City reported governmental activities infrastructure for the first time. The City only reports the amounts acquired after 2002. The City plans to phase in the prior year amounts for roads and bridges in future years.

***Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund balance amounts are eliminated in the statement of net position.

***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 employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination payments and those the City has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments after seven years of service). The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of accumulated service.

***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.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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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 and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***Fund Balances***

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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (ordinance or resolution, as both are equally legally binding) of City Council. 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 or resolution, as both are equally legally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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 that authority by ordinance, City charter, or by State Statute. State Statute authorizes the Finance Director to assign fund balance for purchases on order provided amounts have been lawfully appropriated.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

***Net Position***

Net position represents the difference between all other elements in the statement of net position. 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. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for the St. Helena canal boat.

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

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

***Internal Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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 financial statements.

***Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***Estimates***

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

***Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the personal services and individual object level within each department for all funds. Any budgetary modifications at this level may only be made by resolution of City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the original and final amended certificate of estimated resources in effect at the time the original and final appropriations were passed by Council.

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

**Note 3 – Accountability**

At December 31, 2014, the special assessment capital projects fund had a deficit of \$87,303. The deficit is due to an interfund payable. The general, water, and sewer funds are liable for the deficit in the special assessment capital projects fund.

**Note 4 – Budgetary Basis of Accounting**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**City of Canal Fulton, Ohio**  
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The major differences between the GAAP basis and budget basis are as follows:

1. Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances In and Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
4. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue funds.

Net Change in Fund Balance  
 General and Major Special Revenue Funds

	General	Street Maintenance	Police	Fire/EMS
GAAP Basis	(\$103,030)	\$12,161	(\$33,579)	(\$36,407)
Net Adjustment for Revenue Accruals	33,024	583	2,303	(6,614)
Advances In	50,000	0	0	0
Net Adjustment for Expenditure Accruals	8,530	(15,348)	10,466	(6,703)
Advances Out	(28,000)	0	0	0
Encumbrances	(46,912)	(18,486)	(20,211)	(4,139)
Budget Basis	<u>(\$86,388)</u>	<u>(\$21,090)</u>	<u>(\$41,021)</u>	<u>(\$53,863)</u>

**Note 5 – Deposits and Investments**

The City has chosen to follow State Statutes which 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 Council has identified as not required for use within the current two 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.

**City of Canal Fulton, Ohio**  
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Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the City's deposits was \$3,491,815. Of the bank balance of \$3,616,266, \$500,000 was covered by Federal depository insurance and \$3,116,266 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
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Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage and 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.

**Note 6 – Receivables**

Receivables at December 31, 2014, consisted primarily of municipal income taxes, property taxes, intergovernmental receivables arising from entitlements and shared revenues, and accounts (billings for utility service). No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes were levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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 tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$3.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

	Assessed Value
Real Property	\$83,479,290
Public Utility Property	1,432,390
Total	<u>\$84,911,680</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Canal Fulton. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim. In the general fund and downtown improvement debt service fund, the entire receivable has been offset by deferred inflows of resources – property taxes since the current taxes were not levied to finance

**City of Canal Fulton, Ohio**  
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2014 operations and the collection of delinquent taxes during the available period are 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 has been reported as deferred inflows of resources – unavailable revenue.

***Income Taxes***

The City levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency or business activities within the City. The City allows a credit of 50 percent for the income tax paid to another municipality to a maximum of half the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the general fund and the police special revenue fund.

***Intergovernmental Receivables***

A summary of intergovernmental receivables follows:

	Amount
<b><i>Governmental Activities:</i></b>	
Gasoline Tax	\$122,887
Grants	64,750
Homestead and Rollback	47,215
Permissive Motor Vehicle License Tax	39,589
Local Government	31,773
Miscellaneous	398
Motor Vehicle License Tax	9,965
	316,577
 <b><i>Business-Type Activity:</i></b>	
County Sewage Reimbursement	10,286
Total	\$326,863

**Note 7 – Interfund Transactions**

***Interfund Balances***

Interfund balances for the year ended December 31, 2014, consisted of the following:

Payable	Receivable			Total
	General	Water	Sewer	
Capital Improvements	\$500,000	\$0	\$0	\$500,000
Other Governmental Funds	28,000	29,700	34,900	92,600
Total	\$528,000	\$29,700	\$34,900	\$592,600

The advances were made to cover special assessment fund activities and capital improvements fund activities.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
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***Interfund Transfers***

Interfund transfers for the year ended December 31, 2014, consisted of the following:

Transfer to	Transfer From General
Police	\$926,000
Fire/EMS	310,000
Capital Improvements	366,000
Other Governmental Funds	25,000
Water	55,000
Total	\$1,682,000

The transfers to the police and fire/EMS special revenue funds, the other governmental funds, and the water enterprise fund were to supplement the operations of those funds. The transfers to the capital improvements capital projects fund were to supplement various capital projects within the City.

**Note 8 – Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, the City contracted with The Ohio Municipal Joint Self Insurance Pool for various types of insurance.

The coverage and deductible are as follows:

Type of Coverage	Deductible	Coverage
General Liability	\$1,000	\$3,000,000
Employers Liability	0	1,000,000
Employee Benefits	1,000	1,000,000
Law Enforcement Officers Liability	5,000	3,000,000
Public Officials Liability	1,000	3,000,000
Automobile	0	3,000,000
Property	1,000	14,654,133
Electronic Equipment/Media Coverage	500	73,000
Public Employee Dishonesty	500	10,000
Boiler and Machinery	1,000	14,654,133
Emergency Medical Services Liability	1,000	3,000,000
Municipal Attorney and Law Director	1,000	1,000,000

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

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

## **Note 9 – Other Employee Benefits**

### ***Compensated Absences***

Vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten or more days of vacation per year, depending upon length of service. Only five vacation days may be carried over to the following year. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at a rate of 4.6 hours for each completed pay period of 80 hours. Sick leave accumulation is unlimited, but upon retirement, a non-union employee can be paid twenty-five percent of accumulated, unused sick leave to a maximum of 120 days and a union employee can be paid twenty-five percent of accumulated sick leave.

### ***Medical and Dental Insurance***

The City provides medical, dental, and vision benefits to employees through The Health Plan, MetLife, and Vision Service Plan, respectively. The City also provides \$25,000 of life insurance for employees through Lincoln Financial. The City's portion of monthly premiums for 2014 were \$925.60 for family, \$656.88 for employee and spouse, \$537.44 for employee and children, and \$298.59 for single.

## **Note 10 – Contingencies**

### ***Litigation***

The City is a party to legal proceedings seeking damages. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of the City's management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

### ***Grants***

The City receives financial assistance from 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 any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 11 – Capital Assets**

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
<b>Governmental Activities:</b>				
Capital Assets not being depreciated:				
Land	\$3,023,152	\$0	\$0	\$3,023,152
Construction in Progress	923,540	578,353	(1,307,605)	194,288
Total Capital Assets not being depreciated	<u>3,946,692</u>	<u>578,353</u>	<u>(1,307,605)</u>	<u>3,217,440</u>
Capital Assets being depreciated:				
Buildings and Improvements	5,057,814	6,774	0	5,064,588
Equipment and Machinery	455,532	94,941	0	550,473
Vehicles	1,296,560	0	0	1,296,560
Infrastructure:				
Storm Sewers	3,951,223	193,254	0	4,144,477
Roads	1,774,474	1,249,359	0	3,023,833
Total Capital Assets being depreciated	<u>12,535,603</u>	<u>1,544,328</u>	<u>0</u>	<u>14,079,931</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,132,378)	(102,421)	0	(2,234,799)
Equipment and Machinery	(361,565)	(47,035)	0	(408,600)
Vehicles	(1,091,548)	(22,481)	0	(1,114,029)
Infrastructure:				
Storm Sewers	(2,051,029)	(42,407)	0	(2,093,436)
Roads	(467,011)	(151,192)	0	(618,203)
Total Accumulated Depreciation	<u>(6,103,531)</u>	<u>(365,536) *</u>	<u>0</u>	<u>(6,469,067)</u>
Total Capital Assets being Depreciated, net	<u>6,432,072</u>	<u>1,178,792</u>	<u>0</u>	<u>7,610,864</u>
Governmental Activities Capital Assets, Net	<u>\$10,378,764</u>	<u>\$1,757,145</u>	<u>(\$1,307,605)</u>	<u>\$10,828,304</u>

\* Depreciation expense was charged to governmental activities as follows:

General Government	\$69,625
Security of Persons and Property	100,222
Transportation	170,266
Leisure Time Activities	<u>25,423</u>
Total Depreciation Expense	<u>\$365,536</u>

**City of Canal Fulton, Ohio**  
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	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
<b><i>Business-Type Activities:</i></b>				
Capital Assets not being depreciated:				
Land	\$234,514	\$0	\$0	\$234,514
Construction in Progress	102,201	175,261	(77,662)	199,800
Total Capital Assets not being depreciated	<u>336,715</u>	<u>175,261</u>	<u>(77,662)</u>	<u>434,314</u>
Capital Assets being depreciated:				
Buildings and Improvements	4,379,488	40,058	0	4,419,546
Equipment and Machinery	157,092	5,032	0	162,124
Vehicles	192,010	21,000	0	213,010
Infrastructure:				
Sewer Lines	5,043,118	99,223	0	5,142,341
Water Lines	6,134,211	0	0	6,134,211
Total Capital Assets being depreciated	<u>15,905,919</u>	<u>165,313</u>	<u>0</u>	<u>16,071,232</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,282,739)	(110,711)	0	(2,393,450)
Equipment and Machinery	(84,947)	(9,316)	0	(94,263)
Vehicles	(164,559)	(6,675)	0	(171,234)
Infrastructure:				
Sewer Lines	(2,539,987)	(64,430)	0	(2,604,417)
Water Lines	(3,137,894)	(85,469)	0	(3,223,363)
Total Accumulated Depreciation	<u>(8,210,126)</u>	<u>(276,601)</u>	<u>0</u>	<u>(8,486,727)</u>
Total Capital Assets, being depreciated, net	<u>7,695,793</u>	<u>(111,288)</u>	<u>0</u>	<u>7,584,505</u>
Business-Type Activities Capital Assets, Net	<u><u>\$8,032,508</u></u>	<u><u>\$63,973</u></u>	<u><u>(\$77,662)</u></u>	<u><u>\$8,018,819</u></u>

**Note 12 – Jointly Governed Organizations**

***Stark County Regional Planning Commission***

The City participates in the Stark County Regional Planning Commission (Planning Commission), which is a statutorily created political subdivision of the State. The Planning Commission is jointly governed among Stark County, and other cities, villages, and townships. Of the 85 member board, the City appoints one member. The degree of control exercised by any participating government is limited to its representation on the board. The principal aim of the Planning Commission is to provide comprehensive planning, both long and short-term range, dealing with the economic and physical environment of Stark County. The board exercises total authority for the day-to-day operations of the Planning Commission. These include budgeting, appropriating, contracting and designating management. The City has no financial responsibility for any of the Planning Commission's liabilities. In 2014, the City contributed a total of \$5,111 to the Planning Commission. Complete financial statements can be obtained from the Stark County Regional Planning Commission, 201 3<sup>rd</sup> Street NE, Suite 201, Canton, Ohio 44702.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***Stark Council of Governments***

The City participates in the Stark Council of Governments (Council) which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County and its municipalities and townships which direct the operations of the Stark County Metropolitan Narcotics Unit and the Stark County Crime Laboratory. Of the 27 members, the City has one appointed member. Each member's control over the operation of the Council is limited to its representation on the board. The board exercises total authority over the operation of the Council including budgeting, appropriation, contracting, and designating management. The City does not have an equity interest in the Council. The Council is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City did not contribute any funds to the Council in 2014. Complete financial statements can be obtained from the Stark Council of Governments, P.O. Box 21451 Canton, Ohio 44701-1451.

***Stark County District Board of Health***

The City participates in the Stark County District Board of Health (Health District) which is a statutorily created political subdivision of the State. The Health District is jointly governed by Stark County townships, villages, the City of Canal Fulton, the City of Louisville, and the City of North Canton. Of the 8 board members, the City has one appointed member. The board is made up of various professionals who are equally representative of the general health district. The board exercises total authority over the operation of the Health District including budgeting, appropriation, contracting, and designating management. The City does not have an equity interest in the Health District. The Health District is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City contributed \$24,876 to the Health District in 2014. Complete financial statements can be obtained from the Stark County Combined General Health District, 3951 Convenience Circle NW, Canton, Ohio 44718.

**Note 13 – Joint Venture**

The City participates in the Local Organized Governments in Cooperation (LOGIC), a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the City, Jackson Township, Lawrence Township, City of Massillon, and Hills and Dales Village, with each participant providing one representative to serve on the board. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The board has total authority over the operation of LOGIC, including budgeting, appropriating, contracting, and designating management. Continued existence of LOGIC is dependent on the City's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the City. During 2014, the City made contributions of \$86,903, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, 2601 Cleveland Avenue, Canton, Ohio 44709.

**City of Canal Fulton, Ohio**  
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**Note 14 – Related Organizations**

*Northwest Stark Senior Citizens Commission*

Four of the nine members of the Northwest Stark Senior Citizens Commission (Senior Citizens Commission) are appointed by the Mayor of the City. Four of the nine members of the Senior Citizens Commission are elected by the members of the Northwest Stark Senior Center. These eight members of the Senior Citizens Commission elect the remaining member. The Senior Citizens Commission administers its own staff and does not rely on the City to finance deficits. The City is not financially accountable for the Senior Citizens Commission nor is the Senior Citizens Commission financially dependent on the City. The City paid \$146 to the Senior Citizens Commission in 2014 as an electricity reimbursement. Financial information may be obtained by contacting the Senior Citizens Commission at 853 Locust Street, Canal Fulton, Ohio 44614.

*Stark County Schools Council of Governments*

The Stark County Schools Council of Governments (SCSCOG) is a consortium of school districts and related agencies serving the greater Stark County area. The SCSCOG serves 85 member schools, libraries, colleges, and related agencies. The SCSCOG exists primarily for the promotion of cooperative agreements and contracts among its members and private persons, corporations and agencies. The SCSCOG's main ventures are in the areas of insurance, worker's compensation, and cooperative purchasing. The City participates in the SCSCOG's cooperative purchasing of office supplies and fuel. Financial information may be obtained by contacting the SCSCOG at 2100 38<sup>th</sup> Street NW, Canton, Ohio 44709.

**Note 15 – Long-Term Obligations**

Debt Issue	Rate	Issue Amount	Date of Maturity
<b><i>Governmental Activities:</i></b>			
Fire Station Bonds 1 - 2006	4.25-5	\$750,000	December 1, 2025
Fire Station Bonds 2 - 2006	4.25-5	750,000	December 1, 2025
OPWC Wooster Street Storm Sewer - 2014	0	137,727	January 1, 2035
<b><i>Business-Type Activities:</i></b>			
Northwest Waterline Bonds - 2005	3.0-4.5	730,000	March 15, 2025
OPWC Canal Street Waterline Loan - 1995	0	123,156	July 1, 2015
OPWC Market Street Waterline Loan - 1995	0	322,455	July 1, 2015
OPWC Water Treatment Plant Loan - 2003	0	600,595	July 1, 2024
OPWC Milan Street Waterline Loan - 2006	0	331,649	January 1, 2026
OPWC Denshire Sanitary Sewer Loan - 2003	0	417,195	July 1, 2022
OPWC Solids Handling Improvement Loan - 2003	0	376,100	January 1, 2023
OPWC High Street Sanitary Sewer Loan - 2009	0	116,357	January 1, 2041
OPWC WWTP Screening Improvements - 2014	0	114,866	Not Finalized

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014

The changes in the City's long-term obligations during the year consist of the following:

	Amount Outstanding 12/31/2013	Additions	Deletions	Amount Outstanding 12/31/2014	Amounts Due in One Year
<b><i>Governmental Activities:</i></b>					
<b><u>General Obligation Bonds:</u></b>					
Fire Station Bonds 1	\$515,000	\$0	\$35,000	\$480,000	\$35,000
Premium on Fire Station Bonds 1	5,402	0	450	4,952	0
Fire Station Bonds 2	510,000	0	35,000	475,000	35,000
Premium on Fire Station Bonds 2	2,240	0	187	2,053	0
Total General Obligation Bonds	<u>1,032,642</u>	<u>0</u>	<u>70,637</u>	<u>962,005</u>	<u>70,000</u>
OPWC - Wooster Street Storm Sewer	0	137,727	0	137,727	3,443
Capital Lease	66,925	0	18,241	48,684	18,932
Compensated Absences	55,346	5,465	0	60,811	0
Total Governmental Activities	<u>\$1,154,913</u>	<u>\$143,192</u>	<u>\$88,878</u>	<u>\$1,209,227</u>	<u>\$92,375</u>
<b><i>Business-Type Activities:</i></b>					
<b><u>General Obligation Bonds:</u></b>					
<b>Northwest Waterline Bonds</b>					
Serial Bonds	\$260,000	\$0	\$35,000	\$225,000	\$35,000
Term Bonds	245,000	0	0	245,000	0
Premium on Northwest Waterline Bonds	2,809	0	255	2,554	0
Total General Obligation Bonds	<u>507,809</u>	<u>0</u>	<u>35,255</u>	<u>472,554</u>	<u>35,000</u>
<b><u>OPWC Loans:</u></b>					
Water - Canal Street	9,234	0	6,158	3,076	3,076
Water - Market Street	24,183	0	16,122	8,061	8,061
Water - Treatment Plant	315,310	0	30,030	285,280	30,030
Water - Milan Street	198,993	0	16,582	182,411	16,582
Sewer - Denshire Sanitary	177,305	0	20,860	156,445	20,860
Sewer - Solids Handling Improvement	169,246	0	18,805	150,441	18,805
Sewer - High Street Sanitary	106,661	0	3,878	102,783	3,878
Sewer - WWTP Screening Improvements	0	114,866	0	114,866	0
Total OPWC Loans	<u>1,000,932</u>	<u>114,866</u>	<u>112,435</u>	<u>1,003,363</u>	<u>101,292</u>
Compensated Absences	35,221	2,364	0	37,585	0
Total Business-Type Activities	<u>\$1,543,962</u>	<u>\$117,230</u>	<u>\$147,690</u>	<u>\$1,513,502</u>	<u>\$136,292</u>

The fire station bonds 1 and 2, the OPWC Wooster Street Storm Water loan, and the capital lease are paid from the general capital projects fund.

On March 15, 2005, the City issued \$730,000 of Water Improvement Bonds for the purpose of constructing a waterline for the Northwest Local School District. The bonds are subject to mandatory sinking fund redemption before maturity. Interest payments, at rates ranging from 3 percent to 4.5 percent per year are payable on March 15 and September 15 of each year, until the principal amount is paid.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Redemption Provisions**

***Mandatory Sinking Fund Redemption*** The Northwest waterline bonds maturing on March 15, 2025 are term bonds and are subject to mandatory sinking redemption requirements on March 15 in the years (Mandatory Redemption Dates) and in the principal amounts as follows (with the balance of \$55,000 to be paid at maturity on March 15, 2025):

<u>Year</u>	<u>Principal Amount</u>
2021	\$45,000
2022	45,000
2023	50,000
2024	50,000

The City has pledged future water revenues net of expenditures to repay OPWC loans. These loans are payable solely from net revenues and are payable through 2026. Annual principal payments on these loans are expected to require less than 20 percent of net revenues and less than 8 percent of total revenues. The total principal remaining to be paid on the loans is \$478,828. Principal paid for the current year was \$68,892, total net revenues were \$349,910, and total revenues were \$886,075.

The City has pledged future sewer revenues net of expenditures to repay OPWC loans. These loans are payable solely from net revenues and are payable through 2041. Annual principal payments on these loans are expected to require less than 19 percent of net revenues and less than 5 percent of total revenues. The total principal remaining to be paid on the loans is \$524,535. Principal paid for the current year was \$43,543, total net revenues were \$230,078, and total revenues were \$864,373.

A line of credit has been established with the Ohio Public Works Commission in the amounts of \$173,928 for wastewater treatment screening improvements, which has an outstanding balance at December 31, 2014 of \$114,866. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements.

Compensated absences will be paid from the general fund, the street maintenance, police, and fire/EMS special revenue funds, and the water and sewer enterprise funds.

As of December 31, 2014, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,524,324 and the unvoted legal debt margin was \$3,278,740.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2014, are as follows:

Year	Governmental Activities		
	General Obligation Bonds		OPWC Loans
	Principal	Interest	Principal
2015	\$70,000	\$47,050	\$3,443
2016	70,000	43,900	6,886
2017	70,000	40,750	6,886
2018	80,000	37,250	6,886
2019	80,000	33,250	6,886
2020-2024	475,000	100,250	34,430
2025-2029	110,000	5,500	34,430
2030-2034	0	0	34,430
2035	0	0	3,450
Total	\$955,000	\$307,950	\$137,727

Year	Business-Type Activities				
	General Obligation Bonds				OPWC Loans
	Serial		Term		
	Principal	Interest	Principal	Interest	Principal
2015	\$35,000	\$19,712	\$0	\$0	\$101,292
2016	35,000	18,312	0	0	90,156
2017	35,000	16,869	0	0	90,156
2018	40,000	15,276	0	0	90,156
2019	40,000	13,576	0	0	90,156
2020-2024	40,000	11,876	190,000	27,453	345,996
2025-2029	0	0	55,000	1,233	35,986
2030-2034	0	0	0	0	19,395
2035-2039	0	0	0	0	19,395
2040-2041	0	0	0	0	5,809
Total	\$225,000	\$95,621	\$245,000	\$28,686	\$888,497

**Note 16 – Defined Benefit Pension Plans**

***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 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 percent 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and 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 that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 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 statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 was \$127,032, \$133,117, and \$99,482, respectively. For 2014, 98.71 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. There were no contributions made by plan members or the City to the member-directed plan.

***Ohio Police and Fire Pension Fund***

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

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2014, the portion of the City's contribution used to fund pension benefits was 19 percent of covered payroll for police officers. The City's contribution to OPF for police pension was \$108,120 for the year ended December 31, 2014, \$97,329 for the year ended December 31, 2013, and \$53,624 for the year ended December 31, 2012. For 2014, 98.72 percent has been contributed for police with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

***Social Security System***

As of December 31, 2014, thirty-one part-time firefighters have elected to be covered by Social Security rather than OPERS or Ohio Police and Fire Pension Fund. The part-time firefighters' liability is 6.2 percent of wages paid.

**Note 17 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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 postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care 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 health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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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 the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012 was \$21,172, \$10,240, and \$39,793, respectively. For 2014, 98.71 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent of covered payroll for police. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was 0.5 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$2,845 for the year ended December 31, 2014, \$22,162 for the year ended December 31, 2013, and \$28,389 for the year ended December 31, 2012. For 2014, 98.72 percent has been contributed for police with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

**Note 18 – Significant Commitments**

***Encumbrances***

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General	\$46,912
Street Maintenance	18,486
Police	20,211
Fire/EMS	4,139
Capital Improvements	376,826
Other Governmental Funds	32,699
Water	46,251
Sewer	93,255
Total	<u><u>\$638,779</u></u>

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

**Note 19 – Fund Balances**

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 the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Street Maintenance	Police	Fire/ EMS	Capital Improvements	Other Governmental Funds	Total
<u>Nonspendable:</u>							
Unclaimed Monies	\$2,825	\$0	\$0	\$0	\$0	\$0	\$2,825
Inventory	0	25,386	0	0	0	0	25,386
<i>Total Nonspendable</i>	<u>2,825</u>	<u>25,386</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,211</u>
<u>Restricted to:</u>							
Transportation	0	200,464	0	0	0	113,435	313,899
Public Safety	0	0	164,948	0	0	23,247	188,195
St. Helena II	0	0	0	0	0	10,104	10,104
Capital Improvements	0	0	0	0	154,381	74,786	229,167
<i>Total Restricted</i>	<u>0</u>	<u>200,464</u>	<u>164,948</u>	<u>0</u>	<u>154,381</u>	<u>221,572</u>	<u>741,365</u>
<u>Committed to:</u>							
Public Safety	0	0	0	144,261	0	0	144,261
Parks and Recreation	0	0	0	0	0	25,765	25,765
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>144,261</u>	<u>0</u>	<u>25,765</u>	<u>170,026</u>
<u>Assigned to:</u>							
Debt Service	0	0	0	0	0	33,596	33,596
2015 Appropriations	59,911	0	0	0	0	0	59,911
City Administration	26,237	0	0	0	0	0	26,237
Engineering	5,996	0	0	0	0	0	5,996
Buildings	1,530	0	0	0	0	0	1,530
Parks	200	0	0	0	0	0	200
<i>Total Assigned</i>	<u>93,874</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,596</u>	<u>127,470</u>
Unassigned	<u>1,167,137</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(87,303)</u>	<u>1,079,834</u>
<b>Total Fund Balances</b>	<b><u>\$1,263,836</u></b>	<b><u>\$225,850</u></b>	<b><u>\$164,948</u></b>	<b><u>\$144,261</u></b>	<b><u>\$154,381</u></b>	<b><u>\$193,630</u></b>	<b><u>\$2,146,906</u></b>

**Note 20 – Capital Lease**

During 2012, the City entered into a capital lease with FirstMerit Bank, N.A., for a snow plow. This lease will end in 2017. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The capital asset was capitalized at the present value of the minimum lease payments at the time the lease was entered into.

The asset acquired through capital lease is as follows:

	<u>Governmental Activities</u>
Asset:	
Vehicles	\$93,047
Less: Accumulated depreciation	<u>(18,609)</u>
<b>Total</b>	<b><u>\$74,438</u></b>

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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The snow plow lease provides for minimum, annual lease payments as follows:

	Governmental Activities
2015	\$20,582
2016	20,582
2017	<u>10,292</u>
Total Minimum Lease Payment	51,456
Less: Amount Representing Interest	<u>(2,772)</u>
Present Value of Minimum Lease Payments	<u><u>\$48,684</u></u>

**Note 21 – Subsequent Event**

On April 7, 2015, City Council passed Ordinance #12-15, which authorizes the issuance of Bond Anticipation Notes totaling \$1,000,000 for various road improvements.



# Dave Yost • Auditor of State

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

City of Canal Fulton  
Stark County  
155 East Market Street  
Canal Fulton, Ohio 44614

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 City of Canal Fulton, Stark County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 14, 2015.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

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

August 14, 2015



# Dave Yost • Auditor of State

**CITY OF CANAL FULTON**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 22, 2015**