



**Auditor of State  
Betty Montgomery**



**CITY OF CANFIELD  
MAHONING COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

City of Canfield  
Mahoning County  
104 Lisbon Street  
Canfield, Ohio 44406

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Canfield, Mahoning County, (the City) as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Canfield, Mahoning County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2005 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

February 10, 2005

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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**City of Canfield  
Mahoning County**

**Combined Balance Sheet  
All Fund Types and Account Groups  
December 31, 2002**

|   | <b>Governmental Fund Types</b> |                                      |                                   |                                       |
|---|--------------------------------|--------------------------------------|-----------------------------------|---------------------------------------|
|   | <u>General<br/>Fund</u>        | <u>Special<br/>Revenue<br/>Funds</u> | <u>Debt<br/>Service<br/>Funds</u> | <u>Capital<br/>Projects<br/>Funds</u> |
| <b>Assets and Other Debits</b>  |                                |                                      |                                   |                                       |
| <b>Assets</b>   |                                |                                      |                                   |                                       |
| Equity in Pooled Cash and Cash Equivalents  | \$1,768,900                    | \$739,473                            | \$649,557                         | \$1,289,869                           |
| Investments   | 159,577                        |                                      |                                   |                                       |
| Receivables:  |                                |                                      |                                   |                                       |
| Taxes   | 168,307                        | 410,793                              | 284,407                           |                                       |
| Accounts  | 46,628                         | 13,112                               | 32                                |                                       |
| Unbilled Accounts Receivable  |                                |                                      | 912                               |                                       |
| Interfund   |                                | 48,174                               |                                   |                                       |
| Intergovernmental Receivable  | 117,507                        | 146,981                              | 16,720                            | 42,706                                |
| Inventories Held for Resale   |                                |                                      |                                   |                                       |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation)                   |                                |                                      |                                   |                                       |
| <b>Other Debits</b>   |                                |                                      |                                   |                                       |
| Amount Available in Debt Service Fund for Retirement of<br>General Obligation Bonds |                                |                                      |                                   |                                       |
| Amount to be Provided from General Government Resources                             |                                |                                      |                                   |                                       |
| <b>Total Assets and Other Debits</b>  | <b>2,260,919</b>               | <b>1,358,533</b>                     | <b>951,628</b>                    | <b>1,332,575</b>                      |
| <b>Liabilities, Fund Equity and Other Credits</b>                                   |                                |                                      |                                   |                                       |
| <b>Liabilities</b>  |                                |                                      |                                   |                                       |
| Accounts Payable  | 61,897                         | 6,454                                | 883                               |                                       |
| Interfund Payable   |                                |                                      |                                   | 48,174                                |
| Accrued Wages and Benefits  | 56,537                         | 11,663                               |                                   |                                       |
| Compensated Absences Payable  | 8,403                          | 839                                  |                                   |                                       |
| Intergovernmental Payable   | 11,361                         | 2,138                                |                                   |                                       |
| Deferred Revenue  | 110,415                        | 511,461                              | 296,627                           | 42,706                                |
| Deposits Held and Due to Others   |                                |                                      |                                   |                                       |
| OPWC Loans Payable  |                                |                                      |                                   |                                       |
| General Obligation Bonds Payable  |                                |                                      |                                   |                                       |
| <b>Total Liabilities</b>  | <b>248,613</b>                 | <b>532,555</b>                       | <b>297,510</b>                    | <b>90,880</b>                         |
| <b>Fund Equity and Other Credits</b>  |                                |                                      |                                   |                                       |
| Contributed Capital   |                                |                                      |                                   |                                       |
| Investment in General Fixed Assets  |                                |                                      |                                   |                                       |
| Retained Earnings: Unreserved   |                                |                                      |                                   |                                       |
| Fund Balance: Reserved for Encumbrances   | 225,582                        | 23,656                               |                                   | 692,406                               |
| Fund Balance: Unreserved, Undesignated  | 1,786,724                      | 802,322                              | 654,118                           | 549,289                               |
| <b>Total Fund Equity and Other Credits</b>  | <b>2,012,306</b>               | <b>825,978</b>                       | <b>654,118</b>                    | <b>1,241,695</b>                      |
| <b>Total Liabilities, Fund Equity and Other Credits</b>                             | <b>\$2,260,919</b>             | <b>\$1,358,533</b>                   | <b>\$951,628</b>                  | <b>\$1,332,575</b>                    |

See accompanying notes to the general purpose financial statements.



| <b>Proprietary<br/>Fund Types</b> | <b>Fiduciary<br/>Fund Types</b>       | <b>Account Groups</b>               |  | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|-----------------------------------|---------------------------------------|-------------------------------------|--|---|
| <u>Enterprise<br/>Funds</u>       | <u>Trust and<br/>Agency<br/>Funds</u> | <u>General<br/>Fixed<br/>Assets</u> | <u>General<br/>Long-Term<br/>Obligations</u> |   |
| \$3,175,307                       | \$357,125                             |                                     |  | \$7,980,231<br>159,577                  |
| 92,224                            | 1,063                                 |                                     |  | 863,507                                 |
| 199,974                           |                                       |                                     |  | 153,059                                 |
|                                   |                                       |                                     |  | 200,886                                 |
|                                   |                                       |                                     |  | 48,174                                  |
| 3,640                             |                                       |                                     |  | 323,914                                 |
| 13,117,993                        |                                       | 16,434,997                          |  | 3,640                                   |
|                                   |                                       |                                     |  | 29,552,990                              |
|                                   |                                       |                                     | 654,118                                      | 654,118                                 |
|                                   |                                       |                                     | 1,184,391                                    | 1,184,391                               |
| <b>16,589,138</b>                 | <b>358,188</b>                        | <b>16,434,997</b>                   | <b>1,838,509</b>                             | <b>41,124,487</b>                       |
| 213,492                           |                                       |                                     |  | 282,726                                 |
| 11,289                            |                                       |                                     |  | 48,174                                  |
| 21,541                            |                                       |                                     |  | 79,489                                  |
| 13,557                            |                                       |                                     | 118,446                                      | 149,229                                 |
|                                   |                                       |                                     | 97,329                                       | 124,385                                 |
|                                   | 61,471                                |                                     |  | 961,209                                 |
| 360,258                           |                                       |                                     | 422,734                                      | 61,471                                  |
| 1,032,000                         |                                       |                                     | 1,200,000                                    | 782,992                                 |
| <b>1,652,137</b>                  | <b>61,471</b>                         | <b>0</b>                            | <b>1,838,509</b>                             | <b>4,721,675</b>                        |
| 6,060,382                         |                                       |                                     |  | 6,060,382                               |
| 8,876,619                         | 131,851                               | 16,434,997                          |  | 16,434,997                              |
|                                   | 164,866                               |                                     |  | 9,008,470                               |
| <b>14,937,001</b>                 | <b>296,717</b>                        | <b>16,434,997</b>                   | <b>0</b>                                     | <b>36,402,812</b>                       |
| <b>\$16,589,138</b>               | <b>\$358,188</b>                      | <b>\$16,434,997</b>                 | <b>\$1,838,509</b>                           | <b>\$41,124,487</b>                     |

**City of Canfield  
Mahoning County**

**Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances  
All Governmental Fund Types and Similar Trust Fund  
For the Year Ended December 31, 2002**

|  | Governmental Fund Types |                             |                          |                              | Fiduciary<br>Fund Type    | Total<br>(Memorandum<br>Only) |
|--|-------------------------|-----------------------------|--------------------------|------------------------------|---------------------------|-------------------------------|
|  | General<br>Fund         | Special<br>Revenue<br>Funds | Debt<br>Service<br>Funds | Capital<br>Projects<br>Funds | Expendable<br>Trust Funds |                               |
| <b>Revenues</b>  |                         |                             |                          |                              |                           |                               |
| Local Taxes  | \$2,054,352             | \$446,832                   | \$273,063                |                              |                           | \$2,774,247                   |
| Intergovernmental Revenues   | 324,497                 | 382,965                     | 36,225                   | 176,482                      |                           | 920,169                       |
| Special Assessments  |                         | 22,275                      |                          |                              |                           | 22,275                        |
| Charges for Services   | 185,696                 | 30,008                      | 9,386                    |                              |                           | 225,090                       |
| Fines, Licenses and Permits  | 136,033                 | 7,793                       |                          |                              |                           | 143,826                       |
| Interest   | 168,512                 | 17,765                      |                          |                              | 1,113                     | 187,390                       |
| Net Increase (Decrease) in the Fair Value of Investments   | 10,782                  |                             |                          |                              |                           | 10,782                        |
| Miscellaneous  | 31,338                  | 6,657                       |                          |                              | 1,621                     | 39,616                        |
| <b>Total Revenues</b>  | <b>2,911,210</b>        | <b>914,295</b>              | <b>318,674</b>           | <b>176,482</b>               | <b>2,734</b>              | <b>4,323,395</b>              |
| <b>Expenditures</b>  |                         |                             |                          |                              |                           |                               |
| <b>Current:</b>  |                         |                             |                          |                              |                           |                               |
| Security of Person and Property  | 1,621,938               | 89,157                      |                          |                              |                           | 1,711,095                     |
| Public Health Services   | 102,452                 | 32,919                      |                          |                              |                           | 135,371                       |
| Leisure Time Activities  |                         | 82,120                      |                          |                              |                           | 82,120                        |
| Community Environment  | 70,904                  |                             |                          |                              |                           | 70,904                        |
| Transportation   | 548                     | 506,711                     |                          |                              |                           | 507,259                       |
| General Government   | 632,441                 |                             |                          |                              |                           | 632,441                       |
| <b>Capital Outlay</b>  | 90,883                  | 47,501                      |                          | 297,995                      |                           | 436,379                       |
| <b>Debt Service</b>  |                         |                             |                          |                              |                           |                               |
| Principal Retirement   |                         |                             | 222,322                  |                              |                           | 222,322                       |
| Interest and Fiscal Charges  |                         |                             | 103,445                  |                              |                           | 103,445                       |
| <b>Total Expenditures</b>  | <b>2,519,166</b>        | <b>758,408</b>              | <b>325,767</b>           | <b>297,995</b>               | <b>0</b>                  | <b>3,901,336</b>              |
| <b>Excess of Revenues Over (Under) Expenditures</b>  | 392,044                 | 155,887                     | (7,093)                  | (121,513)                    | 2,734                     | 422,059                       |
| <b>Other Financing Sources</b>   |                         |                             |                          |                              |                           |                               |
| Sale of Fixed Assets   | 1,902                   |                             |                          |                              |                           | 1,902                         |
| Transfers-In   |                         | 207,713                     | 79,800                   | 520,021                      | 100,000                   | 907,534                       |
| <b>Total Other Financing Sources/(Uses)</b>  | <b>1,902</b>            | <b>207,713</b>              | <b>79,800</b>            | <b>520,021</b>               | <b>100,000</b>            | <b>909,436</b>                |
| <b>Other Financing Uses</b>  |                         |                             |                          |                              |                           |                               |
| Transfers-Out  | 451,000                 | 331,821                     |                          | 124,713                      |                           | 907,534                       |
| <b>Total Other Financing Uses</b>  | <b>451,000</b>          | <b>331,821</b>              | <b>0</b>                 | <b>124,713</b>               | <b>0</b>                  | <b>907,534</b>                |
| <b>Excess of Revenues and Other Financing<br/>Sources Over (Under) Expenditures<br/>and Other Financing Uses</b> | (57,054)                | 31,779                      | 72,707                   | 273,795                      | 102,734                   | 423,961                       |
| <b>Fund Balances Beginning of Year</b>   | 2,069,360               | 794,198                     | 581,410                  | 967,899                      | 62,131                    | 4,474,998                     |
| <b>Fund Balances (Deficit) End of Year</b>   | <b>\$2,012,306</b>      | <b>\$825,977</b>            | <b>\$654,117</b>         | <b>\$1,241,694</b>           | <b>\$164,865</b>          | <b>\$4,898,959</b>            |

See accompanying notes to the general purpose financial statements.

**City of Canfield  
Mahoning County**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types and Similar Trust Fund  
For the Year Ended December 31, 2002**

|  | General Fund       |                  |  | Special Revenue Funds |                  |  |
|--|--------------------|------------------|--|-----------------------|------------------|--|
|  | Revised<br>Budget  | Actual           | Variance<br>Favorable<br>(Unfavorable) | Revised<br>Budget     | Actual           | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues</b>  |                    |                  |  |                       |                  |  |
| Local Taxes  | 2,126,000          | 2,069,846        | (56,154)                               | 434,576               | 431,702          | (2,874)                                |
| Intergovernmental Revenues   | 217,874            | 326,584          | 108,710                                | 383,178               | 388,024          | 4,846                                  |
| Special Assessments  |                    |                  |  | 25,155                | 22,275           | (2,880)                                |
| Charges for Services   | 8,492              | 7,882            | (610)                                  | 29,000                | 30,008           | 1,008                                  |
| Fines, Licenses and Permits  | 129,229            | 133,185          | 3,956                                  | 850                   | 1,070            | 220                                    |
| Interest Earnings  | 169,000            | 168,512          | (488)                                  | 17,100                | 17,765           | 665                                    |
| Miscellaneous  | <u>8,164</u>       | <u>8,124</u>     | <u>(40)</u>                            | <u>4,325</u>          | <u>4,648</u>     | <u>323</u>                             |
| <b>Total Revenues</b>  | <b>2,658,759</b>   | <b>2,714,133</b> | <b>55,374</b>                          | <b>894,184</b>        | <b>895,492</b>   | <b>1,308</b>                           |
| <b>Expenditures</b>  |                    |                  |  |                       |                  |  |
| <b>Current:</b>  |                    |                  |  |                       |                  |  |
| Security of Person and Property  | 1,981,970          | 1,730,961        | 251,009                                | 114,227               | 93,094           | 21,133                                 |
| Public Health Services   | 110,925            | 102,462          | 8,463                                  | 75,580                | 34,601           | 40,979                                 |
| Leisure Time Activities  |                    |                  |  | 132,462               | 83,767           | 48,695                                 |
| Community Environment  | 87,811             | 73,828           | 13,983                                 |                       |                  |  |
| Transportation   | 5,000              | 5,000            |  | 941,648               | 671,162          | 270,486                                |
| General Government   | 901,316            | 691,003          | 210,313                                |                       |                  |  |
| <b>Capital Outlay</b>  | 225,456            | 171,593          | 53,863                                 | 105,133               | 49,003           | 56,130                                 |
| <b>Debt Service</b>  |                    |                  |  |                       |                  |  |
| Principal Retirement   |                    |                  |  |                       |                  |  |
| Interest and Fiscal Charges  |                    |                  |  |                       |                  |  |
| <b>Total Expenditures</b>  | <b>3,312,478</b>   | <b>2,774,847</b> | <b>537,631</b>                         | <b>1,369,050</b>      | <b>931,627</b>   | <b>437,423</b>                         |
| <b>Excess of Revenues Over (Under) Expenditures</b>  | <b>(653,719)</b>   | <b>(60,714)</b>  | <b>593,005</b>                         | <b>(474,866)</b>      | <b>(36,135)</b>  | <b>438,731</b>                         |
| <b>Other Financing Sources</b>   |                    |                  |  |                       |                  |  |
| Sale of Fixed Assets   | 2,000              | 2,382            | 382                                    |                       |                  |  |
| Other Financing Sources  | 182,000            | 182,858          | 858                                    |                       | 1,956            | 1,956                                  |
| Transfers-In   |                    |                  |  | 207,713               | 207,713          |  |
| Advances-In  |                    |                  |  |                       |                  |  |
| <b>Total Other Financing Sources</b>   | <b>184,000</b>     | <b>185,240</b>   | <b>1,240</b>                           | <b>207,713</b>        | <b>209,669</b>   | <b>1,956</b>                           |
| <b>Other Financing Uses</b>  |                    |                  |  |                       |                  |  |
| Other Financing Uses   | 292,606            | 34,901           | 257,705                                | 4,500                 | 425              | 4,075                                  |
| Transfers-Out  | 451,000            | 451,000          |  | 331,821               | 331,821          |  |
| Advances-Out   |                    |                  |  |                       | <u>48,174</u>    | <u>(48,174)</u>                        |
| <b>Total Other Financing Uses</b>  | <b>743,606</b>     | <b>485,901</b>   | <b>257,705</b>                         | <b>336,321</b>        | <b>380,420</b>   | <b>(44,099)</b>                        |
| <b>Excess of Revenues and Other<br/>Financing Sources Over (Under)<br/>Expenditures and Other Financing Uses</b> | <b>(1,213,325)</b> | <b>(361,375)</b> | <b>851,950</b>                         | <b>(603,474)</b>      | <b>(206,886)</b> | <b>396,588</b>                         |
| <b>Fund Balances Beginning of Year</b>   | <b>1,618,239</b>   | <b>1,618,239</b> | <b>0</b>                               | <b>737,748</b>        | <b>736,264</b>   | <b>(1,484)</b>                         |
| <b>Prior Period Adjustments</b>  |                    | <b>1,848</b>     | <b>1,848</b>                           |                       | <b>247</b>       | <b>247</b>                             |
| <b>Prior Year Encumbrances Appropriated</b>  | <b>216,773</b>     | <b>216,773</b>   |  | <b>179,736</b>        | <b>179,736</b>   |  |
| <b>Fund Balances (Deficit) End of Year</b>   | <b>621,687</b>     | <b>1,475,485</b> | <b>853,798</b>                         | <b>314,010</b>        | <b>709,361</b>   | <b>395,351</b>                         |

See accompanying notes to the general purpose financial statements.

**City of Canfield  
Mahoning County**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget (Non-GAAP Basis) and Actual (Continued)  
All Governmental Fund Types and Similar Trust Fund  
For the Year Ended December 31, 2002**

|  | Debt Service Funds |                 |  | Capital Projects Funds |                  |  |
|--|--------------------|-----------------|--|------------------------|------------------|--|
|  | Revised<br>Budget  | Actual          | Variance<br>Favorable<br>(Unfavorable) | Revised<br>Budget      | Actual           | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues</b>  |                    |                 |  |                        |                  |  |
| Local Taxes  | 271,951            | 268,563         | (3,388)                                |                        |                  |  |
| Intergovernmental Revenues   | 37,238             | 36,225          | (1,013)                                | 677,080                | 176,482          | (500,598)                              |
| Special Assessments  |                    |                 |  |                        |                  |  |
| Charges for Services   | 9,400              | 9,372           | (28)                                   |                        |                  |  |
| Fines, Licenses and Permits  |                    |                 |  |                        |                  |  |
| Interest Earnings  |                    |                 |  |                        |                  |  |
| Miscellaneous  |                    |                 |  |                        |                  |  |
| <b>Total Revenues</b>  | <b>318,589</b>     | <b>314,160</b>  | <b>(4,429)</b>                         | <b>677,080</b>         | <b>176,482</b>   | <b>(500,598)</b>                       |
| <b>Expenditures</b>  |                    |                 |  |                        |                  |  |
| <b>Current:</b>  |                    |                 |  |                        |                  |  |
| Security of Person and Property  |                    |                 |  |                        |                  |  |
| Public Health Services   |                    |                 |  |                        |                  |  |
| Leisure Time Activities  |                    |                 |  |                        |                  |  |
| Community Environment  |                    |                 |  |                        |                  |  |
| Transportation   |                    |                 |  |                        |                  |  |
| General Government   |                    |                 |  |                        |                  |  |
| <b>Capital Outlay</b>  |                    |                 |  | 1,047,852              | 999,363          | 48,489                                 |
| <b>Debt Service</b>  |                    |                 |  |                        |                  |  |
| Principal Retirement   | 222,322            | 222,322         |  |                        |                  |  |
| Interest and Fiscal Charges  | 108,255            | 103,445         | 4,810                                  |                        |                  |  |
| <b>Total Expenditures</b>  | <b>330,577</b>     | <b>325,767</b>  | <b>4,810</b>                           | <b>1,047,852</b>       | <b>999,363</b>   | <b>48,489</b>                          |
| <b>Excess of Revenues Over (Under) Expenditures</b>  | <b>(11,988)</b>    | <b>(11,607)</b> | <b>381</b>                             | <b>(370,772)</b>       | <b>(822,881)</b> | <b>(452,109)</b>                       |
| <b>Other Financing Sources</b>   |                    |                 |  |                        |                  |  |
| Sale of Fixed Assets   |                    |                 |  |                        |                  |  |
| Other Financing Sources  |                    |                 |  |                        |                  |  |
| Transfers-In   | 79,800             | 79,800          |  | 520,021                | 520,021          |  |
| Advances-In  |                    |                 |  |                        | 48,174           | 48,174                                 |
| <b>Total Other Financing Sources</b>   | <b>79,800</b>      | <b>79,800</b>   | <b>0</b>                               | <b>520,021</b>         | <b>568,195</b>   | <b>48,174</b>                          |
| <b>Other Financing Uses</b>  |                    |                 |  |                        |                  |  |
| Other Financing Uses   |                    |                 |  |                        |                  |  |
| Transfers-Out  |                    |                 |  | 124,713                | 124,713          |  |
| Advances-Out   |                    |                 |  |                        |                  |  |
| <b>Total Other Financing Uses</b>  | <b>0</b>           | <b>0</b>        | <b>0</b>                               | <b>124,713</b>         | <b>124,713</b>   | <b>0</b>                               |
| <b>Excess of Revenues and Other<br/>Financing Sources Over (Under)<br/>Expenditures and Other Financing Uses</b> | <b>67,812</b>      | <b>68,193</b>   | <b>381</b>                             | <b>24,536</b>          | <b>(379,399)</b> | <b>(403,935)</b>                       |
| <b>Fund Balances Beginning of Year</b>   | <b>579,481</b>     | <b>579,481</b>  | <b>0</b>                               | <b>959,723</b>         | <b>959,723</b>   | <b>0</b>                               |
| <b>Prior Period Adjustments</b>  |                    |                 |  |                        |                  |  |
| Prior Year Encumbrances Appropriated   | 1,000              | 1,000           | 0                                      | 1                      | 8,177            | (8,176)                                |
| <b>Fund Balances (Deficit) End of Year</b>   | <b>648,293</b>     | <b>648,674</b>  | <b>381</b>                             | <b>984,260</b>         | <b>588,501</b>   | <b>(412,111)</b>                       |

See accompanying notes to the general purpose financial statements.

**City of Canfield  
Mahoning County**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget (Non-GAAP Basis) and Actual (Continued)  
All Governmental Fund Types and Similar Trust Fund  
For the Year Ended December 31, 2002**

|  | Expendable Trust Funds |                       |  | Total (Memorandum Only) |                         |  |
|--|------------------------|-----------------------|--|-------------------------|-------------------------|--|
|  | Revised<br>Budget      | Actual                | Variance<br>Favorable<br>(Unfavorable) | Revised<br>Budget       | Actual                  | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues</b>  |                        |                       |  |                         |                         |  |
| Local Taxes  |                        |                       |  | 2,832,527               | 2,770,111               | (62,416)                               |
| Intergovernmental Revenues   |                        |                       |  | 1,315,370               | 927,315                 | (388,055)                              |
| Special Assessments  |                        |                       |  | 25,155                  | 22,275                  | (2,880)                                |
| Charges for Services   |                        |                       |  | 46,892                  | 47,262                  | 370                                    |
| Fines, Licenses and Permits  |                        |                       |  | 130,079                 | 134,255                 | 4,176                                  |
| Interest Earnings  | 800                    | 1,113                 | 313                                    | 186,900                 | 187,390                 | 490                                    |
| Miscellaneous  | <u>1,600</u>           | <u>1,621</u>          | <u>21</u>                              | <u>14,089</u>           | <u>14,393</u>           | <u>304</u>                             |
| <b>Total Revenues</b>  | <b>2,400</b>           | <b>2,734</b>          | <b>334</b>                             | <b>4,551,012</b>        | <b>4,103,001</b>        | <b>(448,011)</b>                       |
| <b>Expenditures</b>  |                        |                       |  |                         |                         |  |
| <b>Current:</b>  |                        |                       |  |                         |                         |  |
| Security of Person and Property  |                        |                       |  | 2,096,197               | 1,824,055               | 272,142                                |
| Public Health Services   |                        |                       |  | 186,505                 | 137,063                 | 49,442                                 |
| Leisure Time Activities  |                        |                       |  | 132,462                 | 83,767                  | 48,695                                 |
| Community Environment  |                        |                       |  | 87,811                  | 73,828                  | 13,983                                 |
| Transportation   |                        |                       |  | 946,648                 | 676,162                 | 270,486                                |
| General Government   | 5,000                  |                       | 5,000                                  | 906,316                 | 691,003                 | 215,313                                |
| <b>Capital Outlay</b>  |                        |                       |  | 1,378,441               | 1,219,959               | 158,482                                |
| <b>Debt Service</b>  |                        |                       |  |                         |                         |  |
| Principal Retirement   |                        |                       |  | 222,322                 | 222,322                 |  |
| Interest and Fiscal Charges  |                        |                       |  | <u>108,255</u>          | <u>103,445</u>          | <u>4,810</u>                           |
| <b>Total Expenditures</b>  | <b>5,000</b>           | <b>0</b>              | <b>5,000</b>                           | <b>6,064,957</b>        | <b>5,031,604</b>        | <b>1,033,353</b>                       |
| <b>Excess of Revenues Over (Under) Expenditures</b>  | <b>(2,600)</b>         | <b>2,734</b>          | <b>5,334</b>                           | <b>(1,513,945)</b>      | <b>(928,603)</b>        | <b>585,342</b>                         |
| <b>Other Financing Sources</b>   |                        |                       |  |                         |                         |  |
| Sale of Fixed Assets   |                        |                       |  | 2,000                   | 2,382                   | 382                                    |
| Other Financing Sources  |                        |                       |  | 182,000                 | 184,814                 | 2,814                                  |
| Transfers-In   | 100,000                | 100,000               |  | 907,534                 | 907,534                 |  |
| Advances-In  |                        |                       |  |                         | <u>48,174</u>           | <u>48,174</u>                          |
| <b>Total Other Financing Sources</b>   | <b>100,000</b>         | <b>100,000</b>        | <b>0</b>                               | <b>1,091,534</b>        | <b>1,142,904</b>        | <b>51,370</b>                          |
| <b>Other Financing Uses</b>  |                        |                       |  |                         |                         |  |
| Other Financing Uses   |                        |                       |  | 297,106                 | 35,326                  | 261,780                                |
| Transfers-Out  |                        |                       |  | 907,534                 | 907,534                 |  |
| Advances-Out   |                        |                       |  |                         | <u>48,174</u>           | <u>(48,174)</u>                        |
| <b>Total Other Financing Uses</b>  | <b>0</b>               | <b>0</b>              | <b>0</b>                               | <b>1,204,640</b>        | <b>991,034</b>          | <b>213,606</b>                         |
| <b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b> | <b>97,400</b>          | <b>102,734</b>        | <b>5,334</b>                           | <b>(1,627,051)</b>      | <b>(776,733)</b>        | <b>850,318</b>                         |
| <b>Fund Balances Beginning of Year</b>   | <b>62,131</b>          | <b>62,131</b>         | <b>0</b>                               | <b>3,957,322</b>        | <b>3,955,838</b>        | <b>(1,484)</b>                         |
| <b>Prior Period Adjustments</b>  |                        |                       |  |                         | <b>2,095</b>            | <b>2,095</b>                           |
| <b>Prior Year Encumbrances Appropriated</b>  | <b>0</b>               | <b>0</b>              | <b>0</b>                               | <b>397,510</b>          | <b>405,686</b>          | <b>(8,176)</b>                         |
| <b>Fund Balances (Deficit) End of Year</b>   | <b><u>159,531</u></b>  | <b><u>164,865</u></b> | <b><u>5,334</u></b>                    | <b><u>2,727,781</u></b> | <b><u>3,586,886</u></b> | <b><u>842,753</u></b>                  |

See accompanying notes to the general purpose financial statements.

**City of Canfield  
Mahoning County**

**Combined Statement of Revenues, Expenses and  
Changes in Retained Earnings/Fund Balance  
Proprietary Fund Type and Non-Expendable Trust Funds  
For the Year Ended December 31, 2002**

|  | <u>Proprietary<br/>Fund Types</u> | <u>Fiduciary<br/>Fund Type</u>           |  |
|--|-----------------------------------|--|--|
|  | Enterprise<br><u>Funds</u>        | Non-<br>Expendable<br><u>Trust Funds</u> | Totals<br>(Memorandum<br><u>Only</u> ) |
| <b>Operating Revenues</b>                  |                                   |  |  |
| Charges for Services                       | \$1,698,266                       | \$7,500                                  | \$1,705,766                            |
| Interest Revenue                           |                                   | 2,849                                    | 2,849                                  |
| Other                                      | <u>2,040</u>                      | <u>4,356</u>                             | <u>6,396</u>                           |
| <b>Total Operating Revenues</b>            | <b>1,700,306</b>                  | <b>14,705</b>                            | <b>1,715,011</b>                       |
| <b>Operating Expenses</b>                  |                                   |  |  |
| Personal Services                          | 296,088                           |  | 296,088                                |
| Travel/Transportation                      | 4                                 |  | 4                                      |
| Contractual Services                       | 1,221,101                         |  | 1,221,101                              |
| Supplies and Materials                     | 28,875                            |  | 28,875                                 |
| Depreciation                               | 402,994                           |  | 402,994                                |
| Other                                      | <u>102,003</u>                    |  | <u>102,003</u>                         |
| <b>Total Operating Expenses</b>            | <b>2,051,065</b>                  | <b>0</b>                                 | <b>2,051,065</b>                       |
| <b>Operating Income</b>                    | <b>(350,759)</b>                  | <b>14,705</b>                            | <b>(336,054)</b>                       |
| <b>Non-Operating Expenses</b>              |                                   |  |  |
| Interest and Fiscal Charges                | <u>69,686</u>                     |  | 69,686                                 |
| <b>Total Non-Operating Expenses</b>        | <b>69,686</b>                     | <b>0</b>                                 | <b>69,686</b>                          |
| <b>Net Non-Operating Revenues/Expenses</b> | <b>(69,686)</b>                   | <b>0</b>                                 | <b>(69,686)</b>                        |
| <b>Net Income/Loss</b>                     | <b>(420,445)</b>                  | <b>14,705</b>                            | <b>(405,740)</b>                       |
| <b>Retained Earnings - January 1</b>       | <b><u>9,297,067</u></b>           | <b><u>117,146</u></b>                    | <b><u>9,414,213</u></b>                |
| <b>Retained Earnings - December 31</b>     | <b><u>\$8,876,622</u></b>         | <b><u>\$131,851</u></b>                  | <b><u>\$9,008,473</u></b>              |

See accompanying notes to the general purpose financial statements.

**City of Canfield  
Mahoning County**

**Combined Statement Of Cash Flows  
Proprietary Fund Types and Non-Expendable Trust Funds  
For the Year Ended December 31, 2002**

|  | Proprietary<br>Fund Type  | Fiduciary<br>Fund Type  | Totals                    |
|--|---------------------------|-------------------------|---------------------------|
|  | Enterprise<br>Funds       | Non-Expendable<br>Trust | (Memorandum<br>Only)      |
| <b><i>Increase in Cash and Cash Equivalents</i></b>  |                           |                         |                           |
| <b>Cash Flows from Operating Activities</b>  |                           |                         |                           |
| Cash Received from Customers   | \$1,734,622               | \$13,950                | \$1,748,572               |
| Cash Payments to Suppliers for Goods and Services  | (28,895)                  |                         | (28,895)                  |
| Cash Payments for Contractual Services   | (1,308,558)               |                         | (1,308,558)               |
| Cash Payments for Employee Services and Benefits   | (288,009)                 |                         | (288,009)                 |
| Cash Payments for Travel/Transportation  | (4)                       |                         | (4)                       |
| Other Operating Revenues   | 2,040                     |                         | 2,040                     |
| <b>Net Cash Provided by Operating Activities</b>   | <b>111,196</b>            | <b>13,950</b>           | <b>125,146</b>            |
| <br><b>Cash Flows from Capital and Related Financing Activities</b>                        |                           |                         |                           |
| Proceeds from the Issuance of Notes  | 27,045                    |                         | 27,045                    |
| Purchase of Fixed Assets   | (127,563)                 |                         | (127,563)                 |
| Principal Payments-General Obligation Bonds  | (117,512)                 |                         | (117,512)                 |
| Interest Payments-General Obligation Bonds   | (68,817)                  |                         | (68,817)                  |
| <b>Net Cash Used in Capital and Related Financing Activities</b>                           | <b>(286,847)</b>          |                         | <b>(286,847)</b>          |
| <br><b>Net Increase in Cash and Cash Equivalents</b>                                       | <br>(175,651)             | <br>13,950              | <br>(161,701)             |
| <b>Cash and Cash Equivalents Beginning of Year</b>   | <b>3,350,958</b>          | <b>116,838</b>          | <b>3,467,796</b>          |
| <b>Cash and Cash Equivalents End of Year</b>   | <b><u>\$3,175,307</u></b> | <b><u>\$130,788</u></b> | <b><u>\$3,306,095</u></b> |
| <br><b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b> |                           |                         |                           |
| <b>Operating Income</b>  | (350,760)                 | 14,704                  | (336,056)                 |
| <b>Adjustments:</b>  |                           |                         |                           |
| Depreciation   | 402,994                   |                         | 402,994                   |
| (Increase)/Decrease in Assets:   |                           |                         |                           |
| Accounts Receivable  | 36,356                    | (754)                   | 35,602                    |
| Increase/(Decrease) in Liabilities:  |                           |                         |                           |
| Accounts Payable   | 14,392                    |                         | 14,392                    |
| Accrued Wages and Benefits   | 2,066                     |                         | 2,066                     |
| Compensated Absences Payable   | 1,498                     |                         | 1,498                     |
| Intergovernmental Payable  | 4,649                     |                         | 4,649                     |
| <b>Net Cash Provided by Operating Activities</b>   | <b>111,195</b>            | <b>13,950</b>           | <b>125,145</b>            |
| <br><b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>               |                           |                         |                           |
| Trust and Agency Funds   |                           | 357,125                 |                           |
| Less: Agency Funds   |                           | (226,337)               |                           |
| Nonexpendable Trust Fund   |                           | <b>130,788</b>          |                           |

See accompanying notes to the general purpose financial statements

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**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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

The City of Canfield (the "City") was incorporated under the laws of the State of Ohio in 1852, and adopted its first charter in 1968. The form of government provided in this Charter is known as the "Council-Manager Plan". The Charter provides for a council of five members consisting of the mayor and four other persons elected from the Municipality at large. All members of the Council are elected for overlapping terms of four years. The Mayor does not serve as President of the Council and does not have any veto power over the actions of the Council.

The Manager is appointed by the Council and is the chief executive, administrative, and law enforcement officer of the Municipality. The Director of Finance is appointed by the Manager, with the approval of Council. The Director of Finance is the fiscal officer of the City.

A reporting entity includes the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Canfield, this includes police protection, street maintenance and repairs, planning and zoning, parks and recreation, water and wastewater. The operation of each of these activities is directly controlled by Council through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

Prior to 1990, the Fire Department of Canfield was solely operated by the City. The Cardinal Joint Fire District is a jointly managed organization with the Township of Canfield. The City and Township appoint two each of the five member board. The fifth board member is selected by the other four members. The Cardinal Joint Fire District is supported by its own millage.

The Canfield City School District has been excluded from the reporting entity because the City is not financially accountable for this organization nor does the City approve the budget, the levying of taxes or the issuance of debt for this organization.

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

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

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulation, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For Financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**Governmental Fund Types** Governmental funds are those through which most governmental functions of the City are financed. The acquisition, uses and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

**General Fund** This fund is the operating fund of the City and is used to account for 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 general laws of Ohio.

**Special Revenue Funds** These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted expenditures for specified purposes.

**Debt Service Funds** These funds are used to account for the accumulations of resources for, and the payment of, general long-term debt principal and interest.

**Capital Projects Funds** These funds are used to account for financial resources to be used for the acquisition or construction of major facilities (other than those financed by proprietary funds).

**Proprietary Fund Type** Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following are the City's proprietary fund types:

**Enterprise Funds** These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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**Fiduciary Fund Types** Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The following are the City's fiduciary fund types:

**Expendable Trust Funds** These funds are accounted for in essentially the same manner as governmental funds. Expendable trust funds account for assets where both principal and interest may be spent.

**Nonexpendable Trust Funds** These funds are accounted for in essentially the same manner as proprietary funds. Nonexpendable trust funds account for assets where the principle may not be spent.

**Agency Funds** Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results or operations.

**Account Groups** To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** This account group accounts for all general fixed assets of the City other than those accounted for in proprietary funds.

**General Long-Term Obligations Account Group** This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds.

## **B. Measurement Focus and Basis of Accounting**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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All governmental fund types, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, state-levied locally shared taxes, (including gasoline tax), fines and forfeitures and income tax withheld by employers.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2002, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable.

### **C. Budgetary Process**

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

**Tax Budget** At the first Council meeting in July, the Manager presents the annual operating budget for the following year to the City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**Estimated Resources** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31,

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. This certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that the estimate needs to be either increased or decreased. The amount reported on the budgetary statement reflects the amounts in the final amended official certificate of estimated resources issued during 2002.

**Appropriations** A Temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year, as new information becomes available, provided that the total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant affect on the original appropriations. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

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

**Encumbrances** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditures of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. Investment procedures are restricted by the provisions of the Ohio Revised Code. All investment earnings accrue to the general fund except those specifically related to certain special revenue funds, certain expendable trust funds, water enterprise funds and nonexpendable trust funds.

For purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments with an original maturity of three months or less and cash and investments in the cash management pool are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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**E. Inventory**

Inventories of governmental funds are stated at cost while the inventory of the proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Since the inventory balance at December 31, 2002 was not significant, an amount was not reported on the combined balance sheet.

**F. Interfund Assets and Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

**G. Fixed Assets**

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental type funds and capitalized (recorded and accounted for) in the general fixed assets account group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs, gutters, streets and sidewalks, drainage systems, and lighting systems are capitalized along with other general fixed assets.

Fixed assets utilized in the proprietary funds are capitalized in these funds.

Fixed asset values were initially determined at December 31, 1996, by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not determinable, estimated historical costs were developed. For certain fixed assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated. The City maintains a capitalization threshold of one hundred 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 useful life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Depreciation in the proprietary fund types is computed using the straight-line method over the following estimated useful lives:

|                                   |            |
|-----------------------------------|------------|
| Water and Sewer Lines             | 50 years   |
| Buildings                         | 50 years   |
| Improvements other than buildings | 7-20 years |
| Equipment                         | 3-20 years |
| Vehicles                          | 5 years    |

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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Interest is capitalized on proprietary fund assets acquired with tax exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2002, interest costs incurred on construction projects in the proprietary funds were not material.

**H. Accrued Liabilities and Long-term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, claims, compensated absences, Bureau of Worker's Compensation, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year-end are considered not to have been made with current expendable available financial resources. Bonds and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**I. Compensated Absences**

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The City records a liability for accumulated unused sick and vacation time after 10 years of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**J. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for proprietary fund

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

**K. Fund Equity**

Reserves for retained earnings represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Contributed capital is recorded in proprietary funds that have received capital grants or contributions from customers. Fund balance reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances.

**L. Estimates**

The preparation of 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 could differ from those estimates.

**M. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "totals (memorandum only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

**Note 3 - Budgetary Basis of Accounting**

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

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Similar Trust Fund are presented on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).



**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP).
4. Proceeds from and principal payments on notes are reported on the operating statement (budget) rather than as balance sheet transactions.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Similar Trust Fund

|                      | General   | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Expendable<br>Trust |
|----------------------|-----------|--------------------|-----------------|---------------------|---------------------|
| GAAP Basis           | (57,053)  | 31,780             | 72,707          | 273,795             | 102,734             |
| Net Adjustment for   |           |                    |                 |                     |                     |
| Revenue Accruals     | (13,740)  | (16,847)           | (4,514)         | 0                   | 0                   |
| Advance In           | 0         | 0                  | 0               | 48,174              | 0                   |
| Net Adjustment for   |           |                    |                 |                     |                     |
| Expenditure Accruals | 1,350     | (143,535)          | 883             | 0                   | 0                   |
| Advance Out          | 0         | (48,174)           | 0               | 0                   | 0                   |
| Encumbrances         | (291,932) | (30,110)           | (883)           | (701,368)           | 0                   |
| Budget Basis         | (361,375) | (206,886)          | 68,193          | (379,399)           | 102,734             |

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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**Note 4 - Deposits and Investments**

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

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

Inactive deposits are public deposits that 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.

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement 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. 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

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

6. The State Treasurer's investment pool (STAR OHIO).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments are stated at a cost that approximates market.

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

**Deposits** At year-end, the carrying amount of the City's deposits were (\$114,512) and the bank balance was \$28,261. The entire bank balance was covered by federal depository insurance. Cash on hand is \$1,710.

**Investments** Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 which classifies investments with original maturities of three months or less as cash equivalents.

|                       | Category<br>1 | Category<br>3 | Carrying<br>Value | Market<br>Value |
|-----------------------|---------------|---------------|-------------------|-----------------|
| Anthem Stock          | 159,577       |               | 159,577           | 159,577         |
| Repurchase Agreements |               | 3,429,204     | 3,429,204         | 3,429,204       |
| STAR Ohio             |               |               | 4,663,828         | 4,663,828       |
| Total Investments     | 159,577       | 3,429,204     | 8,252,609         | 8,252,609       |

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

|   | Cash and Cash            |             |
|---|--------------------------|-------------|
|   | Equivalents/<br>Deposits | Investments |
| GASB Statement No. 9                        | 7,980,231                |             |
| Cash on hand                                | (1,710)                  |             |
| Anthem Stock                                |                          | 159,577     |
| Investments of the<br>cash management pool: |                          |             |
| Repurchase Agreements                       | (3,429,204)              | 3,429,204   |
| STAR Ohio                                   | (4,663,828)              | 4,663,828   |
| GASB Statement No. 3                        | (114,512)                | 8,252,609   |

**Note 5 - Taxes**

**A. Property Taxes**

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date.

Assessed values are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. The latest reappraisal in Mahoning County was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20, unless extended.

Taxes collected from tangible personal property (other than public utility property) in one calendar year are levied in the prior calendar year on assessed values on December 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at twenty-five percent of its true value. Amounts paid by single-county taxpayers are due September 20. Multi-county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property tax collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at eighty-eight percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Mahoning County Treasurer collects property tax on behalf of all taxing districts within the county including the City of Canfield. The Mahoning County Auditor periodically remits to the City its portion of the taxes collected.

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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The full tax rate for all City operations for the year ended December 31, 2002, was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

|                            |                               |
|----------------------------|-------------------------------|
| Real Property              | 168,595,040                   |
| Public Utility Property    | 2,915,230                     |
| Tangible Personal Property | <u>10,364,740</u>             |
| <br>Total Valuation        | <br><u><u>181,875,010</u></u> |

**B. Income Taxes**

The City levies a municipal income tax of one percent as follows:

**Residents:** Individuals 18 years of age and over pay the tax on income from all sources no matter where derived. The following is taxable, but is not limited to, gross salaries, gross wages, commissions, tips, gratuities and other compensation. The tax is paid on earnings, payments, bonuses, commissions, and fees received by professionals, brokers and independent contractors. The net profits from businesses, rents and farms. Also taxable is income from Sub S Corp., and partnerships. Royalties and gambling winnings over \$5,000 are taxable.

Residents who pay another city income tax are given a credit of ½ of 1% of the wage on which the other city tax is paid.

**Resident business:** Businesses located within the City must withhold the 1% tax on the gross compensation of all employees 18 years of age and older. They must also provide copies of all 1099 Miscellaneous Income Forms issued since the tax is not withheld on that compensation.

Taxes are paid on the net profit of the business.

**Non-Residents:** Taxes are paid on income and wages earned from a business located in the City. The employer must withhold the City income tax on the wages paid all employees. Income earned while working within the city limits is taxable to the City and the employer (even when located outside of the City) must withhold the city tax on these wages.

Independent contractors pay on earnings, payments, bonuses, commissions and/or fees received. Since they are not employees, the tax is not withheld by an employer and they file and pay their own taxes.

**Non-Resident business:** The tax is withheld on the individuals working within the City limits.

Taxes are paid on the net profit of the portion of the business conducted within the City of Canfield or for the City of Canfield.

Income tax proceeds are received by the general fund.

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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**Note 6 - Receivables**

Receivables at December 31, 2002, primarily consisted of taxes, accounts (billings for user charged services including unbilled utility services), interfund, intergovernmental receivables arising from grants, entitlements and shared revenues and interest on investments. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

|   | <i>Amount</i>                |
|---|------------------------------|
| <i>General Fund:</i>                        |                              |
| Revenue Assistance                          | 11,079                       |
| Local Government                            | 66,156                       |
| Estate Tax                                  | 36,527                       |
| Federal Grant-HIDTA Reimbursement           | 3,745                        |
| Total General Fund                          | <u>117,507</u>               |
| <i>Special Revenue Funds:</i>               |                              |
| Street Construction, Maintenance and Repair | 134,652                      |
| State Highway                               | 8,969                        |
| Cops In School Grant                        | 3,360                        |
| Total Special Revenue Funds                 | <u>146,981</u>               |
| <i>Debt Service Funds:</i>                  |                              |
| GO Debt Retirement Fund                     | 9,405                        |
| Storm Water Debt Retirement Fund            | 7,315                        |
| Total Debt Service Funds                    | <u>16,720</u>                |
| <i>Capital Project Funds:</i>               |                              |
| Intermodel ODOT Grant-Sidewalks             | 40,719                       |
| E Main St Safety Upgrade - Phase 2          | 1,987                        |
| Total Capital Project Funds                 | <u>42,706</u>                |
| <b>Total</b>                                | <b><u><u>323,914</u></u></b> |

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

**Note 7 - Contingencies**

**A. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2002.

**B. Litigation**

The City of Canfield is a party to legal proceedings. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**Note 8 - Fixed Assets**

A summary of the enterprise funds; property, plant and equipment at December 31, 2002, follows:

|                                | Balance<br>1/01/2002 | Additions        | Balance<br>12/31/2002 |
|--------------------------------|----------------------|------------------|-----------------------|
| Land                           | 9,140                |                  | 9,140                 |
| Buildings                      | 1,547,674            |                  | 1,547,674             |
| Equipment                      | 339,551              | 46,307           | 385,858               |
| Infrastructure                 | 17,216,522           | 41,728           | 17,258,250            |
| Construction in Progress       | 5,000                | 92,897           | 97,897                |
| <b>Total</b>                   | <b>19,117,887</b>    | <b>180,932</b>   | <b>19,298,819</b>     |
| Less: Accumulated Depreciation | (5,777,831)          | (402,994)        | (6,180,825)           |
| <b>Net Fixed Assets</b>        | <b>13,340,056</b>    | <b>(222,062)</b> | <b>13,117,994</b>     |

A summary of changes in general fixed assets follows:

|                                   | Balance<br>1/01/2002 | Additions      | Deductions      | Balance<br>12/31/2002 |
|-----------------------------------|----------------------|----------------|-----------------|-----------------------|
| Land                              | 609,560              |                |                 | 609,560               |
| Buildings                         | 2,132,069            | 16,266         |                 | 2,148,335             |
| Improvements Other Than Buildings | 54,865               | 722            |                 | 55,587                |
| Equipment                         | 2,290,010            | 119,872        | (66,421)        | 2,343,461             |
| Infrastructure                    | 10,996,038           | 5,779          |                 | 11,001,817            |
| Construction in Progress          | 16,339               | 260,168        | (270)           | 276,237               |
| <b>Total</b>                      | <b>16,098,881</b>    | <b>402,807</b> | <b>(66,691)</b> | <b>16,434,997</b>     |

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
For The Year Ended December 31, 2002

**Note 9 - Long-term Obligations**

The original issuance amounts for the City's long-term obligations and changes in the City's long-term obligations during 2002 are as follows:

| Debt Issue  | Date of Issuance | Interest Rate | Original Issue Amount | Year of Maturity | Principal Outstanding 12/31/2001 | Additions During Year | Reductions During Year | Principal Outstanding 12/31/2002 |
|---|------------------|---------------|-----------------------|------------------|----------------------------------|-----------------------|------------------------|----------------------------------|
| <b>Enterprise Fund Obligations</b>                  |                  |               |                       |                  |                                  |                       |                        |                                  |
| <i>Ohio Public Works Commission Loans:</i>          |                  |               |                       |                  |                                  |                       |                        |                                  |
| Sawmill Sanitary Main Replacement                   | 2002             | No Interest   | 360,230               | 2021             | 351,224                          |                       | 18,012                 | 333,213                          |
| Sawmill Sanitary Main Lining                        | 2002             | No Interest   |                       |                  |                                  | 27,045                |                        | 27,045                           |
| <b>Subtotal</b>                                     |                  |               |                       |                  | <b>351,224</b>                   | <b>27,045</b>         | <b>18,012</b>          | <b>360,258</b>                   |
| <i>General Obligation Bonds:</i>                    |                  |               |                       |                  |                                  |                       |                        |                                  |
| Water Main Construction                             | 09/01/94         | 6.25%         | 250,000               | 2014             | 162,500                          |                       | 12,500                 | 150,000                          |
| Water Storage Tank                                  | 12/01/92         | 6.00%         | 750,000               | 2012             | 417,000                          |                       | 37,000                 | 380,000                          |
| Northwest Interceptor                               | 05/01/86         | 7.75%         | 570,000               | 2006             | 150,000                          |                       | 30,000                 | 120,000                          |
| Sewer System Improvement                            | 03/01/96         | 5.00%         | 500,000               | 2015             | 402,000                          |                       | 20,000                 | 382,000                          |
| <b>Subtotal</b>                                     |                  |               |                       |                  | <b>1,131,500</b>                 | <b>0</b>              | <b>99,500</b>          | <b>1,032,000</b>                 |
| <b>Total Enterprise Fund Obligations</b>            |                  |               |                       |                  | <b>1,482,724</b>                 | <b>27,045</b>         | <b>117,512</b>         | <b>1,392,258</b>                 |
| <b>General Long Term Obligations (GLTDAG)</b>       |                  |               |                       |                  |                                  |                       |                        |                                  |
| <i>Ohio Public Works Commission Loans:</i>          |                  |               |                       |                  |                                  |                       |                        |                                  |
| Hillside Drive Replacement                          | 1992             | 3.00%         | 141,123               | 2008             | 64,095                           |                       | 9,903                  | 54,192                           |
| Brookpark Storm Water Imp.                          | 1994             | No Interest   | 55,432                | 2015             | 34,103                           |                       | 2,728                  | 31,375                           |
| Hillside Storm Water Imp.                           | 1994             | No Interest   | 157,839               | 2014             | 94,469                           |                       | 7,872                  | 86,596                           |
| Court St Area Storm Water Imp.                      | 2000             | No Interest   | 286,367               | 2020             | 264,890                          |                       | 14,318                 | 250,571                          |
| <b>Subtotal</b>                                     |                  |               |                       |                  | <b>457,556</b>                   | <b>0</b>              | <b>34,822</b>          | <b>422,734</b>                   |
| <i>General Obligation Bonds:</i>                    |                  |               |                       |                  |                                  |                       |                        |                                  |
| Storm Water Improvement                             | 12/01/92         | 6.00%         | 500,000               | 2012             | 275,000                          |                       | 25,000                 | 250,000                          |
| Water System Improvement                            | 05/01/86         | 7.75%         | 2,500,000             | 2006             | 625,000                          |                       | 125,000                | 500,000                          |
| Municipal Complex Improvement                       | 09/01/94         | 6.25%         | 750,000               | 2014             | 487,500                          |                       | 37,500                 | 450,000                          |
| <b>Subtotal</b>                                     |                  |               |                       |                  | <b>1,387,500</b>                 | <b>0</b>              | <b>187,500</b>         | <b>1,200,000</b>                 |
| <i>Compensated Absences</i>                         |                  |               |                       |                  | 112,764                          | 5,682                 |                        | 118,446                          |
| <i>Intergovernmental Payable</i>                    |                  |               |                       |                  | 68,579                           | 97,329                | 68,579                 | 97,329                           |
| <b>Total General Long Term Obligations (GLTDAG)</b> |                  |               |                       |                  | <b>2,026,398</b>                 | <b>103,011</b>        | <b>290,901</b>         | <b>1,838,508</b>                 |
| <b>Total of All Types</b>                           |                  |               |                       |                  | <b>3,509,123</b>                 | <b>130,056</b>        | <b>408,413</b>         | <b>3,230,766</b>                 |



**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
For The Year Ended December 31, 2002

User charges, impact fees and property taxes are used to pay the general obligation bonds reported in the enterprise fund. The remaining general obligation bonds and OPWC Loans will be paid from the proceeds of municipal income tax. Compensated absences and intergovernmental payables reported in the “compensated absences payable” and “intergovernmental payable” accounts will be paid from the fund from which the employees’ salaries are paid.

The City’s overall legal debt margin was \$17,474,142 at December 31, 2002. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2002, are as follows:

|              | Enterprise                         |  |                                  |  | GLTDAG                             |  |                                  |  | Grand Total<br>Outstanding<br>Per Year |
|--------------|------------------------------------|--|----------------------------------|--|------------------------------------|--|----------------------------------|--|--|
|              | OPWC Loan<br>P & I Due<br>Per Year | Total P & I<br>Outstanding<br>Per Year | GO Bond<br>P & I Due<br>Per Year | Total P & I<br>Outstanding<br>Per Year | OPWC Loan<br>P & I Due<br>Per Year | Total P & I<br>Outstanding<br>Per Year | GO Bond<br>P & I Due<br>Per Year | Total P & I<br>Outstanding<br>Per Year |  |
|              | 2003                               | 18,012                                 | 333,213                          | 163,030                                | 1,396,043                          | 36,671                                 | 427,304                          | 269,375                                |  |
| 2004         | 18,012                             | 315,201                                | 157,541                          | 1,233,013                              | 36,671                             | 390,633                                | 255,844                          | 1,292,813                              | 3,231,659                              |
| 2005         | 18,012                             | 297,190                                | 153,000                          | 1,075,471                              | 36,671                             | 353,961                                | 242,313                          | 1,036,969                              | 2,763,591                              |
| 2006         | 18,012                             | 279,178                                | 147,354                          | 922,471                                | 36,671                             | 317,290                                | 228,781                          | 794,656                                | 2,313,596                              |
| 2007         | 18,012                             | 261,167                                | 111,655                          | 775,118                                | 36,671                             | 280,619                                | 90,250                           | 565,875                                | 1,882,778                              |
| 2008         | 18,012                             | 243,155                                | 109,229                          | 663,463                                | 24,919                             | 243,947                                | 86,406                           | 475,625                                | 1,626,190                              |
| 2009         | 18,012                             | 225,144                                | 105,698                          | 554,234                                | 24,919                             | 219,028                                | 82,563                           | 389,219                                | 1,387,625                              |
| 2010         | 18,012                             | 207,132                                | 102,114                          | 448,536                                | 24,919                             | 194,109                                | 78,719                           | 306,656                                | 1,156,434                              |
| 2011         | 18,012                             | 189,121                                | 99,478                           | 346,423                                | 24,919                             | 169,190                                | 74,875                           | 227,938                                | 932,671                                |
| 2012         | 18,012                             | 171,109                                | 96,736                           | 246,945                                | 24,919                             | 144,271                                | 71,031                           | 153,063                                | 715,388                                |
| 2013         | 18,012                             | 153,098                                | 54,890                           | 150,209                                | 24,919                             | 119,353                                | 42,188                           | 82,031                                 | 504,690                                |
| 2014         | 18,012                             | 135,086                                | 54,271                           | 95,319                                 | 15,682                             | 94,434                                 | 39,844                           | 39,844                                 | 364,682                                |
| 2015         | 18,012                             | 117,075                                | 41,048                           | 41,048                                 | 14,318                             | 78,751                                 |                                  | 0                                      | 236,873                                |
| 2016         | 18,012                             | 99,063                                 |                                  | 0                                      | 14,318                             | 64,433                                 |                                  | 0                                      | 163,496                                |
| 2017         | 18,012                             | 81,052                                 |                                  | 0                                      | 14,318                             | 50,114                                 |                                  | 0                                      | 131,166                                |
| 2018         | 18,012                             | 63,040                                 |                                  | 0                                      | 14,318                             | 35,796                                 |                                  | 0                                      | 98,836                                 |
| 2019         | 18,012                             | 45,029                                 |                                  | 0                                      | 14,318                             | 21,478                                 |                                  | 0                                      | 66,506                                 |
| 2020         | 18,012                             | 27,017                                 |                                  | 0                                      | 7,159                              | 7,159                                  |                                  | 0                                      | 34,176                                 |
| 2021         | 9,006                              | 9,006                                  |                                  | 0                                      |                                    | 0                                      |                                  | 0                                      | 9,006                                  |
| 2022         |                                    | 0                                      |                                  | 0                                      |                                    | 0                                      |                                  | 0                                      | 0                                      |
| <b>Total</b> | <b>333,213</b>                     |  | <b>1,396,043</b>                 |  | <b>427,304</b>                     |  | <b>1,562,188</b>                 |  |  |

The City has initiated another 0% interest OPWC Issue 2 Loan for lining another section of the Sawmill Sanitary Sewer. This project is under construction. The City has made one draw down from the OPWC for \$27,045 as of December 31, 2002. The loan amount could be up to \$500,000 and will be amortized over 20 years. After the entire project is completed and the final draw down occurs, the repayment schedule will be determined. The project is tentatively scheduled to be completed in 2004.

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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**Note 10 - Employee Benefits**

**H. A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time up to a maximum of 200 hours is paid upon termination of employment. Employees earn sick leave at the rate of 10 hours per month. Sick leave accrual is continuous, up to 2000 hours. Upon retirement or death, an employee with 10 years of continuous service can be paid an amount equal to one fourth (1/4) the total number of accumulated, unused sick hours, not to exceed a maximum of 480 hours. As of December 31, 2002, the liability for unpaid compensated absences was \$149,229 for the entire City.

**Note 11 - Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

All City full-time employees, other than Police and Firemen, participate in the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus OH 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement and public safety. The law enforcement classification consists of sheriff, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The 2002 employer contribution rate for state employers was 13.31% of covered payroll. For local government employer units the rate was 13.55% of covered payroll. The law enforcement and public safety division employer rate was 16.70% of covered payroll. The City's required contribution to OPERS for the years ending December 31, 2002, 2001 and 2000 were \$141,573, \$130,603, and \$107,543 respectively. The full amount has been contributed for 2001 and 2000. 74.05% has been contributed for 2002 with the remainder being reported as a fund liability and in the general long-term obligation account group.

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

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

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP & F for the years ending December 31, 2002, 2001 and 2000 were \$149,808, \$140,059, and \$133,751 respectively. The full amount has been contributed for 2001 and 2000. 72.08% has been contributed for 2002 with the remainder being reported as a fund liability and in the general long-term obligation account group.

**Note 12 – Post-employment Benefits**

**A. Ohio Public Employees Retirement System (OPERS)**

The Ohio Public Employees Retirement System of Ohio (OPERS) provides post-retirement health care coverage to age and service employees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The 2002 employer contribution rate was 13.31% of covered payroll; 5.0% was the portion that was used to fund health care for the year. For local government employer units the rate was 13.55% of covered payroll for employees; 5.0% was the portion that was used to fund health care for the year 2002. The law enforcement and public safety employer rate for 2002 was 16.70% and 5.0% was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

OPEB is financed through employer contributions and investment earnings there on. The contributions allocated to retiree health and Medicare care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively. As of December 31, 2001, the unaudited estimated net assets available for future OPEB payments were \$11.6 billion. The total number of active contributing participants at December 31, 2002 was 402,041. The City's actual contributions for 2002, which were used to fund OPEB, were \$52,240. The assumptions and calculations were based on the System's latest Actuarial Review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.00%. An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%. Health care costs are assumed to increase 4.00% annually.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

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

The Ohio Police and Fire Pension Fund (OP & F) provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP & F shall be included in the employer’s contribution rate. The total police employer contribution is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing OP & F’s Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.50% and 7.75% of covered payroll in 2001 and 2002, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2001, the date of the last actuarial valuation available, are 13,174 for Police and 10,239 for Firefighters. The City’s actual contributions for 2002 that were used to fund post-employment benefits were \$59,474 for Police. OP & F’s total health care expenses for the year ending December 31, 2001, the date of the last actuarial valuation available, was \$122,298,771, which was net of member contributions of \$6,874,699.

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

**Note 13 - 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 2002, the City contracted with several companies for various types of insurance as follows

| <u>Company</u>                              | <u>Type of Coverage</u>       | <u>Deductible</u> |
|---|-------------------------------|-------------------|
| State Auto Insurance Company                | General Liability             | None              |
|   | Umbrella Liability            | None              |
|   | General Property Insurance    | \$1,000           |
|   | Commercial Inland Marine      | 1,000             |
|   | Commercial Property           | 1,000             |
|   | Commercial Automobile         | 1,000             |
| Western Surety/State Auto Insurance Company | Bonds - Employees & Officials | None              |
| National Casualty                           | Law Enforcement Liability     | 10,000            |
|   | Public Officials Liability    | 10,000            |

Claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in 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 14 – Enterprise Fund Contributed Capital**

During the year, enterprise fund contributed capital changed by the following amounts:

|  | Water<br>Enterprise | Sanitary<br>Sewer<br>Enterprise | Storm<br>Water<br>Enterprise |
|--|---------------------|---------------------------------|------------------------------|
| Contributed Capital, January 1, 2002     | 3,645,323           | 77,900                          | 2,288,182                    |
| Contributions from State Government      | 0                   | 0                               | 0                            |
| Transfers from Fixed Asset Account Group | 0                   | 0                               | 48,977                       |
| Contributed Capital, December 31, 2002   | <u>3,645,323</u>    | <u>77,900</u>                   | <u>2,337,159</u>             |

**Note 15 - Segment Information**

The City's enterprise funds account for the provision of sewer and water services. The table below reflects, in a summarized format, the more significant data relating to the enterprise funds of the City of Canfield as of and for the year ended December 31, 2002:

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

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The City's enterprise funds account for the provision of sewer and water services.

|  | Water<br>Fund    | Sewer<br>Fund    | Storm Water<br>Fund | Total            |
|--|------------------|------------------|---------------------|------------------|
| Operating Revenues                     | 783,884          | 861,880          | 54,541              | 1,700,305        |
| Operating Expenses Before Depreciation | 750,512          | 844,395          | 53,165              | 1,648,072        |
| Depreciation Expense                   | 202,295          | 121,443          | 79,257              | 402,995          |
| <b>Operating Income</b>                | <b>(168,923)</b> | <b>(103,958)</b> | <b>(77,881)</b>     | <b>(350,762)</b> |
| Net Operating Revenues/Expenses        | (35,176)         | (34,510)         | 0                   | (69,686)         |
| <b>Net Income</b>                      | <b>(204,099)</b> | <b>(138,468)</b> | <b>(77,881)</b>     | <b>(420,448)</b> |
| Plant additions                        | 88,630           | 35,915           | 7,410               | 131,955          |
| Net Working Capital                    | 2,297,998        | 702,785          | 206,844             | 3,207,627        |
| Total Assets                           | 8,369,688        | 4,965,429        | 3,254,021           | 16,589,138       |
| Long-term Liabilities                  | 530,000          | 862,258          | 0                   | 1,392,258        |
| Total Equity                           | 7,730,287        | 3,956,983        | 3,249,733           | 14,937,003       |
| Encumbrances                           | (118,937)        | (585,825)        | (5,704)             | (710,466)        |

**City of Canfield, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2002*

**Note 16 - Interfund Transactions**

The following are Interfund receivable or payable balances at December 31, 2002.

| Funds                             | Due From | Due To   | Interfund<br>Receivable | Interfund<br>Payable |
|-----------------------------------|----------|----------|-------------------------|----------------------|
| <b>Special Revenue Funds</b>      |          |          |                         |                      |
| Street C M & R Fund               |          |          | 48,174                  |                      |
| <b>Capital Projects Funds</b>     |          |          |                         |                      |
| Intermodel ODOT Grant - Sidewalks |          |          |                         | 48,174               |
| <b>Grand Total</b>                | <b>0</b> | <b>0</b> | <b>48,174</b>           | <b>48,174</b>        |

**Note 17 – Prior Period Adjustments**

**Mayor's Court**  
**Agency Fund**

|  |                |
|--|----------------|
| Retained Earnings December 31, 2001        | \$0            |
| Add: Cash Balance to Books                 | \$2,783        |
| Adjusted Retained Earnings January 1, 2002 | <u>\$2,783</u> |

|                                      | <b>General<br/><u>Fund</u></b> | <b>Parks<br/><u>Fund</u></b> | <b>Street C M &amp; R<br/><u>Fund</u></b> |
|--------------------------------------|--------------------------------|------------------------------|---|
| Fund Equity December 31, 2001        | \$2,067,512                    | \$117,665                    | \$592,047                                 |
| Add: Prior Year Voided Checks        | \$348                          | \$158                        | \$90                                      |
| Add: Covert Cash Fund to Books       | <u>\$1,500</u>                 | <u>\$0</u>                   | <u>\$0</u>                                |
| Adjusted Fund Equity January 1, 2002 | <u>\$2,069,360</u>             | <u>\$117,823</u>             | <u>\$592,137</u>                          |

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

City Of Canfield  
Mahoning County  
104 Lisbon Street  
Canfield, Ohio 44406

To the City Council:

We have audited the financial statements of the City of Canfield (the City) as of and for the year ended December 31, 2002 and have issued our report thereon dated February 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the City's management in a separate letter dated February 10, 2005.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the City's management in a separate letter dated February 10, 2005.

This report is intended for the information and use of management and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 10, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CITY OF CANFIELD**

**MAHONING 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  
MARCH 15, 2005**