



Mary Taylor, CPA
Auditor of State

**CANFIELD TOWNSHIP
MAHONING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Canfield Township
Mahoning County
21 South Broad Street
Canfield, Ohio 44406

To the Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canfield Township, Mahoning County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Canfield Township, Mahoning County, Ohio, as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparison for the General, Road District and Zoning Funds thereof for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 20, 2007

Canfield Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of Canfield Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

The net assets of governmental activities increased by \$17,690, or less than 1/2 percent; therefore it is not a significant change from the prior year.

The General Fund subsidized the Road Fund by \$265,000, which includes two new vehicles, at a cost of \$105,611. Wages increased by \$44,190 or 10.2%. (In 2004 - \$388,666, and in 2005 - \$432,856). The weather was a significant factor with an increase in salt purchases of \$18,375 or 27%. The Township, for the first time in its history, had to contract for police services at about \$200,000.

The Township's general receipts are primarily property taxes that represent about 61 percent of the total cash received for governmental activities during the year. Property tax/other local tax receipts for 2005 were \$702,022 compared to \$625,384 in 2004, for a difference of \$76,638 that includes the new bed-tax in 2005 of \$23,031.

The Township hired one full-time employee in the Zoning Department which accounts for the 10% disbursement that now meets the 10% & 5% rule for major funds. The Board doubled the fees to cover the increasing cost of Board of Appeal cases, but the Township in 2005 experienced a decrease in single family home construction that has not been seen in ten years which has occurred since the hiring of the full-time employee.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Canfield Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. Canfield Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Township into two types of activities:

Governmental activities. Most of the Township's basic services are reported here, including fire, streets and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. Canfield Township has no business-type activity.

Canfield Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Road District Fund and the Zoning Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Township has no enterprise fund. When the services are provided to other departments of the Township, the service is reported as an internal service fund. The Township has no internal service fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township has one Agency Fund to act as escrow agent for fire debris removal claims. Funds are held generally for a short time.

Canfield Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

	Net Assets	
	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Assets		
Cash and Cash Equivalents	516,100	1,590,357
Investments	3,745,923	2,653,976
Total Assets	<u>4,262,023</u>	<u>4,244,333</u>
Net Assets		
Restricted for:		
Other Purposes	556,093	447,133
Unrestricted	<u>3,705,930</u>	<u>3,797,200</u>
Total Net Assets	<u><u>4,262,023</u></u>	<u><u>4,244,333</u></u>

As mentioned previously the net assets of governmental activities increased \$17,690 or less than 1/2 percent during 2005, which is insignificant. The primary reasons contributing to the increase in cash balances were:

- The Township received an inheritance tax check in the amount of \$62,674 that was not anticipated to be received.
- The Township received insurance proceeds in the amount of \$140,316 for a fire loss that occurred in the Township.
- The Township has not had a paving program since 2003 and no capital outlay in 2005, which would have decreased cash assets by significant amounts.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Canfield Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Changes in Net Assets

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$144,870
Operating Grants and Contributions	170,592
Capital Grants and Contributions	7,035
Total Program Receipts	322,497
General Receipts:	
Property and Other Local Taxes	702,022
Intergovernmental	207,095
Earnings on Investments	123,513
Miscellaneous	111,730
Total General Receipts	1,144,360
Total Receipts	1,466,857
Disbursements:	
General Government	478,590
Public Safety	204,563
Public Works	582,021
Health	96,277
Capital Outlay	43,863
Other	43,853
Total Disbursements	1,449,167
Change in Net Assets, December 31, 2005	\$17,690

Program receipts represent only 22 percent of total receipts comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money and building permits.

General receipts represent 78 percent of the Township's total receipts, and of this amount, 61 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (about 18 percent). Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Board of Trustees, and the Fiscal Officer. Since these costs do not represent direct services to residents, we try to limit these costs.

Security of Persons and Property are the costs of police and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, public safety, and public works, which account for \$1,265,174 and 87 percent of all governmental disbursements,

Canfield Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Governmental Activities (continued)

respectively. General government represents a significant cost of about 33 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Governmental Activities		
	Total Cost Of Services 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
General Government	\$478,590	\$341,008
Public Safety	204,563	204,563
Public Works	582,021	404,394
Health	96,277	88,989
Other	43,853	43,853
Capital Outlay	43,863	43,863
Total Expenses	<u>\$1,449,167</u>	<u>\$1,126,670</u>

The dependence upon property tax receipts is apparent as over 48% of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$1,739,497 and disbursements of \$1,721,807. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased by \$91,270 as the result of a \$200,000 Sheriff's Contract and a transfer out of \$265,000 to the Road District Fund.

General Fund receipts were \$916,495 less disbursements of \$1,007,765 indicating that the General Fund is in a deficit spending situation of \$91,270. Although this situation needs to be watched closely, it is anticipated that property tax revenue will increase over the next two or three years. A reduction in disbursements is preferable to requesting additional funds from the taxpayers but is not needed in the future as growth in property continues to increase.

Canfield Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected receipts in bed tax and estate tax revenue. The difference between final budgeted receipts and actual receipts was significant due to the excellent return on the investment of funds.

Final disbursements were budgeted at \$2,083,250 while actual disbursements were \$1,007,765. Although receipts were better than expectations, appropriations remained consistent. The Township's spending was below budgeted amounts because it did not complete one Issue II project, purchase the park land or implement the paving program for 2005.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure. The Township has acquired a software package to accomplish this task and is in the process of entering the necessary information. It is anticipated that this program will be fully functional for 2006.

Debt

At December 31, 2005, Canfield Township had no outstanding debt.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. The Board has reviewed the disbursement history of the Township.

Our newly prepared financial forecast continues to predict deficit spending in the Road Fund. This is a situation that has existed over the last three years as the fund becomes more accountable for its own expenses. The Board chose to update the fleet of trucks by purchasing two new vehicles and anticipates a decrease in the repairs and maintenance area. There are no plans for major purchases in the Road Department. The Township has experienced a difficult winter with record expenses for salt purchases and overtime. Already, for the first three weeks of 2006, the weather has been much warmer and the decrease in over-time and salt expenses is very apparent.

The Township has experienced record building through 2004 that should increase the property tax base. The Board is confident that construction of single family units will begin to increase again and anticipates an increase in commercial construction. The Board has implemented the Bed Tax with one hotel and a second soon to be built. The Board of Trustees implemented the increase of fees for filing Board of Appeal cases. We reviewed our sources of revenue and determined that increases are likely in property taxes/local taxes and in building permits and fees. There are no plans to reduce staffing levels and there are no areas at this time that can be reduced.

Canfield Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Carmen I. Heasley, Fiscal Officer, Canfield Township, Mahoning County, at 21 South Broad St., Canfield, Ohio 44406.

Canfield Township
Mahoning County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$597,884
Investments	<u>3,664,139</u>
<i>Total Assets</i>	<u><u>\$4,262,023</u></u>
Net Assets	
Restricted for:	
Other Purposes	556,093
Unrestricted	<u>3,705,930</u>
<i>Total Net Assets</i>	<u><u>\$4,262,023</u></u>

See accompanying notes to the basic financial statements

Canfield Township
Mahoning County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$478,590	\$137,582			(\$341,008)
Public Safety	204,563				(204,563)
Public Works	582,021		170,592	7,035	(404,394)
Health	96,277	7,288			(88,989)
Other	43,853				(43,853)
Capital Outlay	43,863				(43,863)
<i>Total Governmental Activities</i>	1,449,167	144,870	170,592	7,035	(1,126,670)
Total	<u>\$1,449,167</u>	<u>\$144,870</u>	<u>\$170,592</u>	<u>\$7,035</u>	<u>(1,126,670)</u>
		General Receipts			
		Property Taxes Levied for:			
					\$612,552
					89,470
					207,095
					123,513
					111,730
		<i>Total General Receipts</i>			<u>1,144,360</u>
		Change in Net Assets			17,690
		<i>Net Assets Beginning of Year</i>			<u>4,244,333</u>
		<i>Net Assets End of Year</i>			<u><u>\$4,262,023</u></u>

See accompanying notes to the basic financial statements

Canfield Township
Mahoning County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Road District	Zoning	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$519,874	\$9,121	\$13,585	\$55,304	\$597,884
Investments	3,186,056	55,899	83,251	338,933	3,664,139
<i>Total Assets</i>	<u>\$3,705,930</u>	<u>\$65,020</u>	<u>\$96,836</u>	<u>\$394,237</u>	<u>\$4,262,023</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	3,705,930				3,705,930
Special Revenue Funds		65,020	96,836	394,237	556,093
<i>Total Fund Balances</i>	<u>\$3,705,930</u>	<u>\$65,020</u>	<u>\$96,836</u>	<u>\$394,237</u>	<u>\$4,262,023</u>

See accompanying notes to the basic financial statements

Canfield Township
Mahoning County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Road District	Zoning	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$504,852	\$117,383		\$69,667	\$691,902
Licenses, Permits and Fees			137,582	1,588	139,170
Intergovernmental	201,094	1		127,309	328,404
Special Assessments				66,439	66,439
Interest	120,068			3,445	123,513
Other	90,481	9,101	347	17,499	117,428
<i>Total Receipts</i>	<u>916,495</u>	<u>126,485</u>	<u>137,929</u>	<u>285,947</u>	<u>1,466,856</u>
Disbursements					
Current:					
General Government	332,538		146,052		478,590
Public Safety	200,000			4,564	204,564
Public Works	36,403	365,796		179,822	582,021
Health	88,968			7,308	96,276
Capital Outlay	33,363			10,500	43,863
<i>Total Disbursements</i>	<u>691,272</u>	<u>365,796</u>	<u>146,052</u>	<u>202,194</u>	<u>1,405,314</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>225,223</u>	<u>(239,311)</u>	<u>(8,123)</u>	<u>83,753</u>	<u>61,542</u>
Other Financing Sources (Uses)					
Transfers In		265,000		7,641	272,641
Transfers Out	(272,641)				(272,641)
Other Financing Uses	(43,852)				(43,852)
<i>Total Other Financing Sources (Uses)</i>	<u>(316,493)</u>	<u>265,000</u>	<u>0</u>	<u>7,641</u>	<u>(43,852)</u>
<i>Net Change in Fund Balances</i>	(91,270)	25,689	(8,123)	91,394	17,690
<i>Fund Balances Beginning of Year</i>	<u>3,797,200</u>	<u>39,331</u>	<u>104,959</u>	<u>302,843</u>	<u>4,244,333</u>
<i>Fund Balances End of Year</i>	<u>\$3,705,930</u>	<u>\$65,020</u>	<u>\$96,836</u>	<u>\$394,237</u>	<u>\$4,262,023</u>

See accompanying notes to the basic financial statements

Canfield Township
Mahoning County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$449,025	\$469,025	\$504,852	\$35,827
Intergovernmental	120,286	159,395	201,094	41,699
Interest	75,000	75,000	120,068	45,068
Other	10,000	10,000	90,481	80,481
<i>Total receipts</i>	<u>654,311</u>	<u>713,420</u>	<u>916,495</u>	<u>203,075</u>
Disbursements				
Current:				
General Government	396,558	421,973	332,538	89,435
Public Safety	200,000	200,000	200,000	0
Public Works	83,500	83,500	36,403	47,097
Health	97,500	97,500	88,968	8,532
Capital Outlay	340,692	835,692	33,363	802,329
<i>Total Disbursements</i>	<u>1,118,250</u>	<u>1,638,665</u>	<u>691,272</u>	<u>947,393</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(463,939)</u>	<u>(925,245)</u>	<u>225,223</u>	<u>1,150,468</u>
Other Financing Sources (Uses)				
Transfers Out	(400,000)	(400,000)	(272,641)	127,359
Advances Out	(150,000)	(150,000)		150,000
Other Financing Uses	(40,000)	(44,585)	(43,852)	733
<i>Total Other Financing Sources (Uses)</i>	<u>(590,000)</u>	<u>(594,585)</u>	<u>(316,493)</u>	<u>278,092</u>
<i>Net Change in Fund Balance</i>	<u>(1,053,939)</u>	<u>(1,519,830)</u>	<u>(91,270)</u>	<u>1,428,560</u>
<i>Fund Balance Beginning of Year</i>	<u>3,797,200</u>	<u>3,797,200</u>	<u>3,797,200</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,743,261</u>	<u>\$2,277,370</u>	<u>\$3,705,930</u>	<u>\$1,428,560</u>

See accompanying notes to the basic financial statements

Canfield Township
Mahoning County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road District Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$109,614	\$109,614	\$117,383	\$7,769
Intergovernmental	14,546	545	1	(544)
Other		9,100	9,101	1
<i>Total receipts</i>	124,160	119,259	126,485	7,226
Disbursements				
Current:				
Public Works	403,540	403,540	365,796	37,744
<i>Total Disbursements</i>	403,540	403,540	365,796	37,744
<i>Excess of Receipts Over (Under) Disbursements</i>	(279,380)	(284,281)	(239,311)	44,970
Other Financing Sources (Uses)				
Transfers In	265,000	265,000	265,000	0
Advances In	150,000	150,000		(150,000)
<i>Total Other Financing Sources (Uses)</i>	415,000	415,000	265,000	(150,000)
<i>Net Change in Fund Balance</i>	135,620	130,719	25,689	(105,030)
<i>Fund Balance Beginning of Year</i>	39,331	39,331	39,331	0
<i>Fund Balance End of Year</i>	\$174,951	\$170,050	\$65,020	(\$105,030)

See accompanying notes to the basic financial statements

**Canfield Township
Mahoning County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Zoning Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Licenses, Permits and Fees	156,000	116,000	137,582	21,582
Other	100	100	347	247
<i>Total receipts</i>	<u>156,100</u>	<u>116,100</u>	<u>137,929</u>	<u>21,829</u>
Disbursements				
Current:				
General Government	170,800	187,800	146,052	41,748
Capital Outlay	5,000	4,000		4,000
<i>Total Disbursements</i>	<u>175,800</u>	<u>191,800</u>	<u>146,052</u>	<u>45,748</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,700)</u>	<u>(75,700)</u>	<u>(8,123)</u>	<u>67,577</u>
<i>Net Change in Fund Balance</i>	(19,700)	(75,700)	(8,123)	67,577
<i>Fund Balance Beginning of Year</i>	<u>104,959</u>	<u>104,959</u>	<u>104,959</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$85,259</u></u>	<u><u>\$29,259</u></u>	<u><u>\$96,836</u></u>	<u><u>\$67,577</u></u>

See accompanying notes to the basic financial statements

Canfield Township
Mahoning County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
December 31, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$13,345
Investments	<u>81,785</u>
<i>Total Assets</i>	<u><u>\$95,130</u></u>
Net Assets	
Restricted for:	
Other Purposes	<u><u>\$95,130</u></u>

See accompanying notes to the basic financial statements

Note 1 – Reporting Entity

Canfield Township, Mahoning County, Ohio (the Township), is a body politic and corporate established in 1798 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected three-member Board of Trustees directs the Township. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. A joint fire district exists without involvement from the Township or City for fire protection. The Mahoning County Sheriff's Department provides police protection by yearly contract.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balances of the governmental activities of the Township at year-end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a modified cash basis or draws from the Township's general receipts.

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township has three major governmental funds: the General Fund, Road District Fund (Road department resources), and Zoning Fund (Zoning department resources). The General Fund 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 Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Note 2 – Summary of Significant Accounting Policies (continued)

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township has no pension trust funds, investment trust or private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township has one Agency Fund to act as escrow agent for fire debris removal claims and funds are held generally for a short time.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

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

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Township invested in nonnegotiable certificates of deposit, a money market/sweep account, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The Township’s money market/sweep checking account investment records interest paid on a monthly basis.

STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$123,513, which includes \$3,445 assigned from other Township funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets are comprised of those fund balances in the Township’s major funds and other funds, excluding the General Fund. Those assets are restricted for use within the respective funds. The total restricted amount for all funds under these constraints was \$556,093.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Note 2 – Summary of Significant Accounting Policies (continued)

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for recycling and road improvements and maintenance.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Township reserves any portion of fund balances that is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. There are no fund balance reserves established.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. The Township has no business-type activities.

Note 2 – Summary of Significant Accounting Policies (continued)

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Township reported fund financial statements by fund type for using the regulatory basis for accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

The Township does not currently track its capital assets and infrastructure. The Township has acquired a software package to accomplish this task and is in the process of entering the necessary information. It is anticipated that this program will be fully functional for 2006.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund, Road District fund and the Zoning fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The Township has no encumbrances outstanding at year-end.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

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

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

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

Canfield Township
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 5 - Deposits and Investments (continued)

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (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 Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Township had no un-deposited cash on hand.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,130,030 of the Township's bank balance of \$2,230, 030 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Canfield Township
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 5 - Deposits and Investments (continued)

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Township's investment policy does not address specific types of risk that it can be exposed to. The Township's investment policy is limited to complying with state statute.

As of December 31, 2005, the Township had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Repurchase Agreement	\$1,000,000	3/10/06
STAR Ohio	<u>1,127,123</u>	
Total Portfolio	\$2,127,123	

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy does not address interest rate risk.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Canfield Township
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 6 – Property Taxes (continued)

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$2.722 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property:	
Residential/ Agriculture	\$197,446,150
Commercial/Industrial/Mineral	29,937,610
Public Utility Property:	
Real	0
Personal	6,184,350
Tangible Personal Property	5,665,520
Total Assessed Value	<u>\$239,233,630</u>

Note 7 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Canfield Township
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 7 – Risk Management (continued)

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

Note 7 – Risk Management (continued)

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$30,500.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5% of their gross salaries. The Township's contribution rate for pension benefits for 2005 was 9.55% of participants' gross salaries for both years. However, the Board of Township Trustees approved a collective bargaining agreement requiring the Township to pay the full-time employees contributions of 8.5%. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$88,207, \$76,100, and \$65,428 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

Canfield Township
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 9 - Postemployment Benefits (continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 5 and 10 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,076. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$1.6 billion. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$65.2 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.05 billion and \$8.03 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 10 – Interfund Transfers

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Major Governmental Fund	\$265,000
Other Governmental Funds	7,641
Total Transfers from the General Fund	<u>\$272,641</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 11– Contingent Liabilities

The Township is a defendant in one lawsuit. Although management cannot presently determine the outcome of this suit, they believe the resolution of this matter will not materially adversely affect the Township's financial condition.

Canfield Township
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 11– Contingent Liabilities (continued)

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Subsequent Events

Canfield Township purchased park land on Herbert Road and took out a loan for \$856,000 on March 30, 2006 to pay for this land. The debt, which will mature on March 30, 2026, is to be repaid using bed tax monies collected from local hotels. The Township also purchased land at 5061 Messerly Road on September 5, 2006 at a Sherriff's sale.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Canfield Township
Mahoning County
21 South Broad Street
Canfield, Ohio 44406

To the Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canfield Township (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated April 20, 2007 wherein we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated April 20, 2007, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

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

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We intend this report solely for the information and use of the audit committee, management, and Trustees. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

April 20, 2007



Mary Taylor, CPA
Auditor of State

CANFIELD TOWNSHIP

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
JUNE 26, 2007**