



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF CANFIELD
MAHONING COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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, 2000, 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, 2000, 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 November 12, 2002 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

November 12, 2002

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**City of Canfield
Mahoning County**

Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2000

	Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,723,365	\$894,276	\$560,927	\$397,561
Receivables:				
Taxes	169,942	407,777	248,872	
Accounts	17,878	2,813	68	
Unbilled Accounts Receivable			3,823	
Interfund	6,000			
Intergovernmental Receivable	13,636	20,604	1,900	
Inventories Held for Resale				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	1,930,821	1,325,470	815,590	397,561
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	62,934	5,208	914	
Interfund Payable		6,000		
Accrued Wages and Benefits	47,894	11,830		
Compensated Absences Payable	6,177	667		
Intergovernmental Payable	8,776	1,767		
Deferred Revenue		388,976	248,872	
Deposits Held and Due to Others				
OPWC Loans Payable				
General Obligation Bonds Payable				
Total Liabilities	125,781	414,448	249,786	
Fund Equity and Other Credits				
Contributed Capital				
Investment in General Fixed Assets				
Retained Earnings: Unreserved				
Fund Balance: Reserved for Encumbrances	164,142	45,208		50,832
Fund Balance: Unreserved, Undesignated	1,640,898	865,814	565,804	346,729
Total Fund Equity and Other Credits	1,805,040	911,022	565,804	397,561
Total Liabilities, Fund Equity and Other Credits	1,930,821	1,325,470	815,590	397,561

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise Funds	Trust and Agency Funds			
\$3,376,641	\$248,062			\$7,200,832
				826,591
90,459	1,248			112,466
225,322				229,145
				6,000
				36,140
3,640				3,640
13,017,413		\$15,195,139		28,212,552
			\$565,804	565,804
			1,723,380	1,723,380
16,713,475	249,310	15,195,139	2,289,184	38,916,550
161,567				230,623
				6,000
7,786				67,510
16,844			128,500	152,188
9,384			93,596	113,523
				637,848
	89,551			89,551
			492,088	492,088
1,230,000			1,575,000	2,805,000
1,425,581	89,551		2,289,184	4,594,331
5,728,243				5,728,243
9,559,651	100,746	15,195,139		15,195,139
				9,660,397
	59,013			260,182
15,287,894	159,759	15,195,139		34,322,219
16,713,475	249,310	15,195,139	2,289,184	38,916,550

**City of Canfield
Mahoning County**

**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Funds	
Revenues						
Local Taxes	\$2,004,900	\$428,762	\$280,538			\$2,714,200
Intergovernmental Revenues	257,492	439,217	37,555			734,264
Special Assessments		19,551				19,551
Charges for Services	111,893	27,625	12,041			151,559
Fines, Licenses and Permits	140,649	1,760				142,409
Interest	345,978	37,081			\$1,604	384,663
Miscellaneous	4,097	5,227			2,357	11,681
Total Revenues	2,865,009	959,223	330,134		3,961	4,158,327
Expenditures						
Current:						
Security of Person and Property	1,317,998	148,316				1,466,314
Public Health Services		39,299				39,299
Leisure Time Activities		73,042				73,042
Community Environment	66,261					66,261
Transportation		378,386				378,386
General Government	786,470					786,470
Capital Outlay	242,101	181,200		\$31,460		454,761
Debt Service						
Principal Retirement			214,591			214,591
Interest and Fiscal Charges			130,190			130,190
Total Expenditures	2,412,830	820,243	344,781	31,460		3,609,314
Excess of Revenues Over (Under) Expenditures	452,179	138,980	(14,647)	(31,460)	3,961	549,013
Other Financing Sources						
Sale of Fixed Assets	20,063	11,119				31,182
Transfers-In	49	126,001	86,800	94,169		307,019
Total Other Financing Sources	20,112	137,120	86,800	94,169		338,201
Other Financing Uses						
Transfers-Out	520,194	11,849		130,000		662,043
Total Other Financing Uses	520,194	11,849		130,000		662,043
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(47,903)	264,251	72,153	(67,291)	3,961	225,171
Fund Balances Beginning of Year	1,852,943	646,771	493,651	464,852	55,052	3,513,269
Fund Balances (Deficit) End of Year	\$1,805,040	\$911,022	\$565,804	\$397,561	\$59,013	\$3,738,440

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 Expendable Trust Funds
For the Year Ended December 31, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Taxes	\$2,062,000	\$2,017,019	(\$44,981)	\$414,264	\$413,504	(\$760)
Intergovernmental Revenues	230,927	258,068	27,141	457,851	438,016	(19,835)
Special Assessments				49,200	19,551	(29,649)
Charges for Services	8,109	6,352	(1,757)	22,900	27,275	4,375
Fines, Licenses and Permits	174,988	140,447	(34,541)	550	1,823	1,273
Interest Earnings	309,000	318,651	9,651		60,215	60,215
Miscellaneous	5,126	4,447	(679)	4,150	4,858	708
Total Revenues	2,790,150	2,744,984	(45,166)	948,915	965,242	16,327
Expenditures						
Current:						
Security of Person and Property	1,573,045	1,395,954	177,091	243,805	154,307	89,498
Public Health Services				49,035	40,114	8,921
Leisure Time Activities				113,778	74,706	39,072
Community Environment	98,199	76,460	21,739			
Basic Utility Services						
Transportation				703,564	423,017	280,547
General Government	976,485	797,879	178,606			
Capital Outlay	443,626	286,350	157,276	322,262	213,910	108,352
Debt Service						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	3,091,355	2,556,643	534,712	1,432,444	906,054	526,390
Excess of Revenues Over (Under) Expenditures	(301,205)	188,341	489,546	(483,529)	59,188	542,717
Other Financing Sources						
Sale of Fixed Assets	15,000	20,063	5,063		11,119	11,119
Other Financing Sources	156,000	137,300	(18,700)	200	14	(186)
Transfers-In	6,500	50	(6,450)	141,781	126,001	(15,780)
Advances-In		105,599	105,599		6,000	6,000
Total Other Financing Sources	177,500	263,012	85,512	141,981	143,134	1,153
Other Financing Uses						
Other Financing Uses	38,085	20,528	17,557	3,400	600	2,800
Transfers-Out	520,194	520,194		11,849	11,849	
Advances-Out		6,000	(6,000)	2,000	16,000	(14,000)
Total Other Financing Uses	558,279	546,722	11,557	17,249	28,449	(11,200)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(681,984)	(95,369)	586,615	(358,797)	173,873	532,670
Fund Balances Beginning of Year	1,382,235	1,382,235		585,374	585,374	
Prior Year Encumbrances Appropriated	209,423	209,423		84,613	84,613	
Fund Balances (Deficit) End of Year	\$909,674	\$1,496,289	\$586,615	\$311,190	\$843,860	\$532,670

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 Expendable Trust Funds
For the Year Ended December 31, 2000**

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Taxes	\$284,146	\$280,538	(\$3,608)			
Intergovernmental Revenues	36,451	37,934	1,483	\$916,240		(\$916,240)
Special Assessments						
Charges for Services	10,000	10,173	173			
Fines, Licenses and Permits						
Interest Earnings						
Miscellaneous						
Total Revenues	330,597	328,645	(1,952)	916,240		(916,240)
Expenditures						
Current:						
Security of Person and Property						
Public Health Services						
Leisure Time Activities						
Community Environment						
Basic Utility Services						
Transportation						
General Government						
Capital Outlay				1,347,307	\$86,978	1,260,329
Debt Service						
Principal Retirement	224,291	214,591	9,700			
Interest and Fiscal Charges	134,827	131,126	3,701			
Total Expenditures	359,118	345,717	13,401	1,347,307	86,978	1,260,329
Excess of Revenues Over (Under) Expenditures	(28,521)	(17,072)	11,449	(431,067)	(86,978)	344,089
Other Financing Sources						
Sale of Fixed Assets						
Other Financing Sources						
Transfers-In	100,200	86,800	(13,400)	112,169	94,169	(18,000)
Advances-In						
Total Other Financing Sources	100,200	86,800	(13,400)	112,169	94,169	(18,000)
Other Financing Uses						
Other Financing Uses						
Transfers-Out				130,000	130,000	
Advances-Out					41,233	(41,233)
Total Other Financing Uses				130,000	171,233	(41,233)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	71,679	69,728	(1,951)	(448,898)	(164,042)	284,856
Fund Balances Beginning of Year	489,348	489,348		432,240	432,240	
Prior Year Encumbrances Appropriated	937	937		78,531	78,531	
Fund Balances (Deficit) End of Year	\$561,964	\$560,013	(\$1,951)	\$61,873	\$346,729	\$284,856

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 Expendable Trust Funds
For the Year Ended December 31, 2000

	Expendable Trust Funds			Total (Memorandum Only)		Variance Favorable (Unfavorable)
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	
Revenues						
Local Taxes				\$2,760,410	\$2,711,061	(\$49,349)
Intergovernmental Revenues				1,641,469	734,018	(907,451)
Special Assessments				49,200	19,551	(29,649)
Charges for Services				41,009	43,800	2,791
Fines, Licenses and Permits				175,538	142,270	(33,268)
Interest Earnings		\$2,645	\$2,645	309,000	381,511	72,511
Miscellaneous	\$6,700	2,357	(4,343)	15,976	11,662	(4,314)
Total Revenues	6,700	5,002	(1,698)	4,992,602	4,043,873	(948,729)
Expenditures						
Current:						
Security of Person and Property				1,816,850	1,550,261	266,589
Public Health Services				49,035	40,114	8,921
Leisure Time Activities				113,778	74,706	39,072
Community Environment				98,199	76,460	21,739
Basic Utility Services						
Transportation				703,564	423,017	280,547
General Government	5,000		5,000	981,485	797,879	183,605
Capital Outlay	5,000		5,000	2,118,195	587,238	1,530,957
Debt Service						
Principal Retirement				224,291	214,591	9,701
Interest and Fiscal Charges				134,827	131,126	3,701
Total Expenditures	10,000		10,000	6,240,224	3,895,392	2,344,832
Excess of Revenues Over (Under) Expenditures	(3,300)	5,002	8,302	(1,247,622)	148,481	1,396,103
Other Financing Sources						
Sale of Fixed Assets				15,000	31,182	16,182
Other Financing Sources				156,200	137,314	(18,886)
Transfers-In	2,500		(2,500)	363,150	307,020	(56,130)
Advances-In					111,599	111,599
Total Other Financing Sources	2,500		(2,500)	534,350	587,115	52,765
Other Financing Uses						
Other Financing Uses				41,485	21,128	20,357
Transfers-Out				662,043	662,043	0
Advances-Out				2,000	63,233	(61,233)
Total Other Financing Uses				705,528	746,404	(40,876)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(800)	5,002	5,802	(1,418,800)	(10,808)	1,407,992
Fund Balances Beginning of Year	54,010	54,010		2,943,208	2,943,208	
Prior Year Encumbrances Appropriated				373,503	373,503	
Fund Balances (Deficit) End of Year	\$53,210	\$59,012	\$5,802	\$1,897,911	\$3,305,903	\$1,407,992

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, 2000**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	Enterprise Funds	Non- Expendable Trust Funds	
Operating Revenues			
Charges for Services	\$2,043,307	\$9,400	\$2,052,707
Interest Revenue		4,956	4,956
Other	1,091	6,347	7,438
Total Operating Revenues	<u>2,044,398</u>	<u>20,703</u>	<u>2,065,101</u>
Operating Expenses			
Personal Services	215,798		215,798
Travel/Transportation	159		159
Contractual Services	1,230,586		1,230,586
Supplies and Materials	24,487		24,487
Depreciation	381,637		381,637
Other	103,163		103,163
Total Operating Expenses	<u>1,955,830</u>		<u>1,955,830</u>
Operating Income	88,568	20,703	109,271
Non-Operating Revenues			
Sale of Assets	239		239
Transfers-In	355,024		355,024
Total Non-Operating Revenues	<u>355,263</u>		<u>355,263</u>
Non-Operating Expenses			
Interest and Fiscal Charges	81,381		81,381
Total Non-Operating Expenses	<u>81,381</u>		<u>81,381</u>
Net Non-Operating Revenues/Expenses	273,882		273,882
Net Income/Loss	362,450	20,703	383,153
Retained Earnings - January 1	9,197,201	80,043	9,277,244
Retained Earnings - December 31	<u>\$9,559,651</u>	<u>\$100,746</u>	<u>\$9,660,397</u>

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, 2000**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise Funds	Non-Expendable Trust	(Memorandum Only)
Increase in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$2,049,614	\$22,607	\$2,072,221
Cash Payments to Suppliers for Goods and Services	(22,480)		(22,480)
Cash Payments for Contractual Services	(1,267,361)		(1,267,361)
Cash Payments for Employee Services and Benefits	(218,178)		(218,178)
Cash Payments for Travel/Transportation	(159)		(159)
Other Operating Revenues	1,091		1,091
Net Cash Provided by Operating Activities	542,527	22,607	565,134
Cash Flows from Non-Capital Financing Activities			
Advance from Other Fund	(48,366)		(48,366)
Transfers In	355,024		355,024
Net Cash Flows from Non-Capital Financing Activities	306,658		306,658
Cash Flows from Capital and Related Financing Activities			
Proceeds from the Issuance of Notes	286,367		286,367
Proceeds from the Sale of Capital Assets	239		239
Purchase of Fixed Assets	(927,869)		(927,869)
Principal Payments-General Obligation Bonds	(97,500)		(97,500)
Interest Payments-General Obligation Bonds	(81,386)		(81,386)
Net Cash Used in Capital and Related Financing Activities	(820,149)		(820,149)
 Net Increase in Cash and Cash Equivalents	 29,036	 22,607	 51,643
Cash and Cash Equivalents Beginning of Year	3,347,605	76,891	3,424,496
Cash and Cash Equivalents End of Year	3,376,641	99,498	3,476,139
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	88,568	20,703	109,271
Adjustments:			
Depreciation	381,637		381,637
Interest		3,152	3,152
(Increase)/Decrease in Assets:			
Accounts Receivable	6,307	(1,248)	5,059
Inventories			
Increase/(Decrease) in Liabilities:			
Accounts Payable	68,404		68,404
Accrued Wages and Benefits	7,195		7,195
Compensated Absences Payable	(12,262)		(12,262)
Intergovernmental Payable	2,677		2,677
Net Cash Provided by Operating Activities	542,526	22,607	565,133
 Reconciliation of Cash and Cash Equivalents to the Balance Sheet:			
Trust and Agency Funds		248,062	
Less: Agency Funds and Expendable Trust		(148,563)	
Nonexpendable Trust Fund		99,499	

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, 2000

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

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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, 2000

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, 2000

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, 2000, 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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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, 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 2000.

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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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.

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, 2000 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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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

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 2000, 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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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 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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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).
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.

Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Funds

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(47,903)	264,251	72,153	(67,291)	3,961
Net Adjustment for					
Revenue Accruals Advance In	17,276 105,599	6,032 6,000	(1,489)		1,041
Net Adjustment for					
Expenditure Accruals Advance Out Encumbrances	62,735 (6,000) (227,076)	(35,995) (16,000) (50,415)	(23) (913)	(4,687) (41,233) (50,831)	
Budget Basis	(95,369)	173,873	69,728	(164,042)	5,002

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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 (\$175,342) and the bank balance was \$16,538. The entire bank balance was covered by federal depository insurance. Cash on hand is \$60.

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.

	Category 3	Carrying Value	Market Value
Repurchase Agreements	2,977,400	2,977,400	2,977,400
STAR Ohio		4,398,715	4,398,715
Total Investments	2,977,400	7,376,115	7,376,115

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.

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, 2000

	Cash and Cash	
	Equivalents/	
	Deposits	Investments
GASB Statement No. 9	7,200,832	
Cash on hand	(60)	
Investments of the cash management pool:		
Repurchase Agreements	(2,977,400)	2,977,400
STAR Ohio	(4,398,715)	4,398,715
GASB Statement No. 3	(175,342)	7,376,115

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, 2000

The full tax rate for all City operations for the year ended December 31, 2000, was \$4.15 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Real Property	159,881,810
Public Utility Property	4,630,200
Tangible Personal Property	<u>9,103,360</u>
Total Valuation	<u><u>173,615,370</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 \$5,000.00 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, 2000

Note 6 - Receivables

Receivables at December 31, 2000, 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	1,411
Local Government	8,950
State Grant-DARE	3,275
Total General Fund	13,636
 <i>Special Revenue Funds:</i>	
Street Construction, Maintenance and Repair	19,236
State Highway	1,368
Total Special Revenue Funds	20,604
 <i>Debt Service Funds:</i>	
GO Debt Retirement Fund	1,181
Storm Water Debt Retirement Fund	719
Total Debt Service Funds	1,900
Total	36,140

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, 2000**.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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, 2000, follows:

	Balance 1/01/2000	Additions	Deductions	Transfers	Balance 12/31/2000
Land	9,140				9,140
Buildings	1,444,822	99,849			1,544,671
Equipment	301,342	18,288	(6,293)		313,337
Infrastructure	15,603,729	882,393			16,486,122
Construction in Progress	148,931	55,239	(148,931)		55,239
Total	17,507,964	1,055,769	(155,224)	0	18,408,509
Less: Accumulated Depreciation	(5,015,752)	(381,637)	6,293		(5,391,096)
Net Fixed Assets	12,492,212	674,132	(148,931)	0	13,017,413

A summary of changes in general fixed assets follows:

	Balance 1/01/2000	Additions	Deductions	Transfers	Balance 12/31/2000
Land	512,100				512,100
Buildings	2,049,280	66,436			2,115,716
Improvements Other Than Buildings	52,371	739			53,110
Equipment	1,874,639	312,115	(83,779)		2,102,975
Infrastructure	10,232,009	123,946			10,355,955
Construction in Progress	70,740	38,770	(54,227)		55,283
Total	14,791,139	542,006	(138,006)	0	15,195,139

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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 2000 are as follows:

Debt Issue	Date of Issuance	Interest Rate	Original Issue Amount	Year of Maturity	Principal Outstanding 12/31/1999	Additions During Year	Reductions During Year	Principal Outstanding 12/31/2000
Enterprise Fund Obligations								
<i>General Obligation Bonds:</i>								
Water Main Construction	09/01/94	6.25%	250,000	2014	187,500		12,500	175,000
Water Storage Tank	12/01/92	6.00%	750,000	2012	491,000		37,000	454,000
Northwest Interceptor	05/01/86	7.75%	570,000	2006	210,000		30,000	180,000
Sewer System Improvement	03/01/96	5.00%	500,000	2015	439,000		18,000	421,000
Total Enterprise Fund Obligations					1,327,500	0	97,500	1,230,000
General Long Term Obligations (GLTDAG)								
<i>Ohio Public Works Commission Loans:</i>								
Hillside Drive Replacement	1992	3.00%	141,123	2008	83,039		9,331	73,708
Brookpark Storm Water Imp.	1994	No Interest	55,432	2015	39,559		2,728	36,831
Hillside Storm Water Imp.	1994	No Interest	157,839	2014	110,213		7,872	102,341
Court St Area Storm Water Imp.	2000	No Interest	286,367	2020	0	286,367	7,159	279,208
Subtotal					232,811	286,367	27,090	492,088
<i>General Obligation Bonds:</i>								
Storm Water Improvement	12/01/92	6.00%	500,000	2012	325,000		25,000	300,000
Water System Improvement	05/01/86	7.75%	2,500,000	2006	875,000		125,000	750,000
Municipal Complex Improvement	09/01/94	6.25%	750,000	2014	562,500		37,500	525,000
Subtotal					1,762,500	0	187,500	1,575,000
<i>Compensated Absences</i>					77,844	50,656	0	128,500
<i>Intergovernmental Payable</i>					67,101	93,596	67,101	93,596
Total General Long Term Obligations (GLTDAG)					2,140,256	430,619	281,691	2,289,184
Total of All Types					3,467,756	430,619	379,191	3,519,184

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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

The City's overall legal debt margin was \$16,654,614 at December 31, 2000. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000, are as follows:

	Enterprise		GLTDAG			
	GO Bond	Total P & I	OPWC Loan	Total P & I	GO Bond	Total P & I
	P & I Due Per Year	Outstanding Per Year	P & I Due Per Year	Outstanding Per Year	P & I Due Per Year	Outstanding Per Year
2001	172,730	1,736,179	36,671	500,647	296,438	2,141,531
2002	167,406	1,563,449	36,671	463,976	282,906	1,845,094
2003	163,030	1,396,043	36,671	427,304	269,375	1,562,188
2004	157,541	1,233,013	36,671	390,633	255,844	1,292,813
2005	153,000	1,075,471	36,671	353,961	242,313	1,036,969
2006	147,354	922,471	36,671	317,290	228,781	794,656
2007	111,655	775,118	36,671	280,619	90,250	565,875
2008	109,229	663,463	24,919	243,947	86,406	475,625
2009	105,698	554,234	24,919	219,028	82,563	389,219
2010	102,114	448,536	24,919	194,109	78,719	306,656
2011	99,478	346,423	24,919	169,190	74,875	227,938
2012	96,736	246,945	24,919	144,271	71,031	153,063
2013	54,890	150,209	24,919	119,353	42,188	82,031
2014	54,271	95,319	15,682	94,434	39,844	39,844
2015	41,048	41,048	14,318	78,751		0
2016		0	14,318	64,433		0
2017		0	14,318	50,114		0
2018		0	14,318	35,796		0
2019		0	14,318	21,478		0
2020		0	7,159	7,159		0
2021		0	0	0		0
Total	1,736,179		500,647		2,141,531	

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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, 2000, the liability for unpaid compensated absences was \$152,188 for the entire City.

Note 11 - Defined Benefit Pension Plans

A. Public Employees Retirement System

All City full-time employees, other than Police and Firemen, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS 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. PERS 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%. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for local government divisions. The 2000 local government employer units rate was 10.84% of covered payroll. The City's required contribution to PERS for the years ending December 31, 2000, 1999 and 1998 were \$107,543, \$123,230, and \$111,077 respectively. The full amount has been contributed for 1999 and 1998. 81.50% has been contributed for 2000 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, 2000

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, 2000, 1999 and 1998 were \$133,751, \$111,759, and \$105,726 respectively. The full amount has been contributed for 1999 and 1998. 72.27% has been contributed for 2000 with the remainder being reported as a fund liability and in the general long-term obligation account group.

Note 12 – Post-employment Benefits

A. Public Employees Retirement System (PERS)

The Public Employees Retirement System of Ohio (PERS) 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 PERS is set aside for the funding of post-retirement health care. The employer contribution rate was rolled back for the year 2000. The 2000 employer contribution rate was 10.65% of covered payroll; 4.3% was the portion that was used to fund health care for the year. For local government employer units the rate was 10.84% of covered payroll for employees; 4.3% was the portion that was used to fund health care for the year 2000. The law enforcement employer rate for 2000 was 15.70% and 4.3% 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 PERS.

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 \$12,473.6 million and \$1,668.1 million, respectively. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. The total number of active contributing participants at December 31, 2000 was 401,339. The City's actual contributions for 2000, which were used to fund OPEB, were \$40,763. The assumptions and calculations were based on the System's latest Actuarial Review performed as of December 31, 1999. 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 1999 was 7.75%. An annual increase of 4.75% 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 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs are assumed to increase 4.75% annually.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

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 7.0% and 7.25% of covered payroll in 1999 and 2000, respectively. The allocation is 7.50% in 2001. 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, 1999, the date of the last actuarial valuation available, are 12,467 for Police and 9,807 for Firefighters. The City's actual contributions for 2000 that were used to fund post-employment benefits were \$47,682 for Police. OP & F's total health care expenses for the year ending December 31, 1999, the date of the last actuarial valuation available, was \$95,004,633, which was net of member contributions of \$5,518,098.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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 2000, the City contracted with several companies for various types of insurance as follows

Company	Type of Coverage	Deductible
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 Enterprise	Sanitary Sewer Enterprise	Storm Water Enterprise
Contributed Capital, January 1, 2000	3,645,324	77,633	1,718,919
Transfers from Fixed Asset Account Group			286,367
Contributed Capital, December 31, 2000	3,645,324	77,633	2,005,286

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

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, 2000:

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

	Water Fund	Sewer Fund	Storm Water Fund	Total
Operating Revenues	993,935	994,284	56,179	2,044,398
Operating Expenses Before Depreciation	654,914	888,926	30,353	1,574,193
Depreciation Expense	205,896	102,822	72,919	381,637
Operating Income	133,125	2,536	(47,093)	88,568
Net Operating Revenues/Expenses	(41,059)	314,941	0	273,882
Net Income	92,066	317,477	(47,093)	362,450
Plant additions	56,450	584,767	265,621	906,838
Net Working Capital	2,454,125	824,765	217,951	3,496,841
Total Assets	8,761,100	4,900,417	3,051,958	16,713,475
Long-term Liabilities	629,000	601,000		1,230,000
Total Equity	8,039,897	4,198,862	3,049,135	15,287,894
Encumbrances	(99,599)	(429,768)	(1,124)	(530,491)

Note 16 - Interfund Transactions

Interfund balances at December 31, 2000, consist of the following:

Funds	Interfund Receivable	Interfund Payable
General Fund	6,000	
Special Revenue Funds Street Light Assessment		6,000
Grand Total	6,000	6,000

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2000

Note 17 – Prior Period Adjustments

	<i>Enterprise Funds</i>
Retained Earnings December 31, 1999	12,627,923
Add: Change in Fixed Assets	678,717
Less: Change in Contributed Capital	<u>(4,109,439)</u>
Adjusted Retained Earnings January 1, 2000	<u>9,197,201</u>

The material portion of the change in fixed assets in the Enterprise Fund was due to an infrastructure valuation that was incorrectly understated due to various items not being included in valuation. The change in contributed capital is due to items being financed by general revenues that were not previously recorded as contributed capital.

	<i>General Fixed Asset Account Group</i>
Fund Equity December 31, 1999	11,347,613
Add: Change in Fixed Assets	<u>3,443,526</u>
Adjusted Fund Equity January 1, 2000	<u>14,791,139</u>

The material portion of the change in fixed assets in the General Fixed Asset Account Group was due to a reclassification of Construction in Progress to Infrastructure that was made because the project was completed in the prior period and no further cash outlays were made for the project.

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS 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 of Council:

We have audited the financial statements of the City of Canfield, Mahoning County, (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated November 12, 2002. 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 City of Canfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Canfield's internal control over financial reporting in order 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 management of the City of Canfield in a separate letter dated November 12, 2002.

This report is intended for the information and use of management and the 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

November 12, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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
DECEMBER 10, 2002**