



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF CANFIELD
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds.....	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)- All Governmental Fund Types and Expendable Trust Funds	7
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balance - Proprietary Fund Type and Non-Expendable Trust Funds	10
Combined Statement of Cash Flows - Proprietary Fund Type and Non-Expendable Trust Funds	11
Notes to the General-Purpose Financial Statements	13
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	35

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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, 2001, 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, 2001, 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 October 7, 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.

Jim Petro
Auditor of State

October 7, 2002

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**City of Canfield
Mahoning County**

**Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001**

	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	1,836,495	916,000	580,481	967,899
Investments	125,582			
Receivables:				
Taxes	183,801	399,818	289,975	
Accounts	50,431	5,953	51	
Unbilled Accounts Receivable			878	
Intergovernmental Receivable	200,068	219,897	17,494	
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	2,396,377	1,541,668	888,879	967,899
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	65,472	155,036		
Accrued Wages and Benefits	53,119	7,761		
Compensated Absences Payable	8,411	590		
Intergovernmental Payable	9,846	1,242		
Deferred Revenue	192,017	583,089	307,469	
Deposits Held and Due to Others				
OPWC Loans Payable				
General Obligation Bonds Payable				
Total Liabilities	328,865	747,718	307,469	
Fund Equity and Other Credits				
Contributed Capital				
Investment in General Fixed Assets				
Retained Earnings: Unreserved				
Fund Balance: Reserved for Encumbrances	151,301	24,700	1,000	8,176
Fund Balance: Unreserved, Undesignated	1,916,211	769,250	580,410	959,723
Total Fund Equity and Other Credits	2,067,512	793,950	581,410	967,899
Total Liabilities, Fund Equity and Other Credits	2,396,377	1,541,668	888,879	967,899

See accompanying notes to the general purpose financial statements

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
3,350,958	229,927			7,881,760
				125,582
				873,594
138,710	309			195,454
189,844				190,722
				437,459
3,640				3,640
13,340,055		16,098,881		29,438,936
			580,410	580,410
			1,445,989	1,445,989
17,023,207	230,236	16,098,881	2,026,399	41,173,546
193,837				414,345
9,223				70,103
20,043			112,764	141,808
8,908			68,579	88,575
				1,082,575
	50,958			50,958
351,224			457,556	808,780
1,131,500			1,387,500	2,519,000
1,714,735	50,958		2,026,399	5,176,144
6,011,405				6,011,405
		16,098,881		16,098,881
9,297,067	117,147			9,414,214
	62,131			185,177
	179,278			4,287,725
15,308,472	179,278	16,098,881		35,997,402
17,023,207	230,236	16,098,881	2,026,399	41,173,546

**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 and Expendable Trust Funds
For the Year Ended December 31, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Taxes	2,101,000	2,074,740	(26,260)	433,998	423,660	(10,338)
Intergovernmental Revenues	218,985	702,814	483,829	383,191	375,717	(7,474)
Special Assessments				33,200	21,288	(11,912)
Charges for Services	11,262	8,542	(2,720)	26,100	30,785	4,685
Fines, Licenses and Permits	143,083	117,731	(25,352)	550	2,035	1,485
Interest Earnings	252,000	251,105	(895)	36,500	30,683	(5,817)
Miscellaneous	8,526	7,513	(1,013)	4,050	6,361	2,311
Total Revenues	<u>2,734,856</u>	<u>3,162,445</u>	<u>427,589</u>	<u>917,589</u>	<u>890,529</u>	<u>(27,060)</u>
Expenditures						
Current:						
Security of Person and Property	1,816,994	1,554,535	262,459	128,498	106,405	22,093
Public Health Services				72,669	32,789	39,880
Leisure Time Activities				144,711	79,891	64,820
Community Environment	87,902	74,540	13,362			
Transportation				1,104,936	738,465	366,471
General Government	1,042,404	792,905	249,499			
Capital Outlay	689,186	307,188	381,998	128,609	49,215	79,394
Debt Service						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	<u>3,636,486</u>	<u>2,729,168</u>	<u>907,318</u>	<u>1,579,423</u>	<u>1,006,765</u>	<u>572,658</u>
Excess of Revenues Over (Under) Expenditures	(901,630)	433,277	1,334,907	(661,834)	(116,236)	545,598
Other Financing Sources						
Sale of Fixed Assets	5,000		(5,000)	1,000		(1,000)
Other Financing Sources	204,500	227,028	22,528	600	7,385	6,785
Transfers-In		306	306	160,000	170,000	10,000
Advances-In		6,000	6,000			
Total Other Financing Sources	<u>209,500</u>	<u>233,334</u>	<u>23,834</u>	<u>161,600</u>	<u>177,385</u>	<u>15,785</u>
Other Financing Uses						
Other Financing Uses	38,085	29,340	8,745	4,400	655	3,745
Transfers-Out	741,140	741,140		212,733	212,733	
Advances-Out					6,000	(6,000)
Total Other Financing Uses	<u>779,225</u>	<u>770,480</u>	<u>8,745</u>	<u>217,133</u>	<u>219,388</u>	<u>(2,255)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,471,355)	(103,869)	1,367,486	(717,367)	(158,239)	559,128
Fund Balances Beginning of Year	1,496,288	1,496,288		843,860	843,860	
Prior Period Adjustments		227	227		228	228
Prior Year Encumbrances Appropriated	227,077	227,077		50,416	50,416	
Fund Balances (Deficit) End of Year	<u>252,010</u>	<u>1,619,723</u>	<u>1,367,713</u>	<u>176,909</u>	<u>736,265</u>	<u>559,356</u>

See accompanying notes to the general purpose financial statements

**City of Canfield
Mahoning County**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual (Continued)
All Governmental Fund Types and Similar Trust Fund
For the Year Ended December 31, 2001**

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Taxes	231,999	226,325	(5,674)			
Intergovernmental Revenues	29,825	32,266	2,441	740,960	783,160	42,200
Special Assessments						
Charges for Services	9,000	16,392	7,392			
Fines, Licenses and Permits						
Interest Earnings						
Miscellaneous						
Total Revenues	270,824	274,983	4,159	740,960	783,160	42,200
Expenditures						
Current:						
Security of Person and Property						
Public Health Services						
Leisure Time Activities						
Community Environment						
Transportation						
General Government						
Capital Outlay				1,817,519	920,998	896,521
Debt Service						
Principal Retirement	222,032	222,032				
Interest and Fiscal Charges	120,991	116,510	4,481			
Total Expenditures	343,023	338,542	4,481	1,817,519	920,998	896,521
Excess of Revenues Over (Under) Expenditures	(72,199)	(63,559)	8,640	(1,076,559)	(137,838)	938,721
Other Financing Sources						
Sale of Fixed Assets						
Other Financing Sources						
Transfers-In	82,113	82,113		742,200	700,000	(42,200)
Advances-In						
Total Other Financing Sources	82,113	82,113		742,200	700,000	(42,200)
Other Financing Uses						
Other Financing Uses						
Transfers-Out						
Advances-Out						
Total Other Financing Uses						
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	9,914	18,554	8,640	(334,359)	562,162	896,521
Fund Balances Beginning of Year	560,014	560,014		346,729	346,729	
Prior Period Adjustments						
Prior Year Encumbrances Appropriated	914	914		50,832	50,832	
Fund Balances (Deficit) End of Year	570,842	579,482	8,640	63,202	959,723	896,521

See accompanying notes to the general purpose financial statements

**City of Canfield
Mahoning County**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual (Continued)
All Governmental Fund Types and Similar Trust Fund
For the Year Ended December 31, 2001**

	Expendable Trust Funds			Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Taxes				2,766,997	2,724,725	(42,272)
Intergovernmental Revenues				1,372,961	1,893,957	520,996
Special Assessments				33,200	21,288	(11,912)
Charges for Services				46,362	55,719	9,357
Fines, Licenses and Permits				143,633	119,766	(23,867)
Interest Earnings	1,600	1,229	(371)	290,100	283,017	(7,083)
Miscellaneous	2,300	1,890	(410)	14,876	15,764	888
Total Revenues	3,900	3,119	(781)	4,668,129	5,114,236	446,107
Expenditures						
Current:						
Security of Person and Property				1,945,492	1,660,940	284,552
Public Health Services				72,669	32,789	39,880
Leisure Time Activities				144,711	79,891	64,820
Community Environment				87,902	74,540	13,362
Transportation				1,104,936	738,465	366,471
General Government	5,000		5,000	1,047,404	792,905	254,499
Capital Outlay				2,635,314	1,277,401	1,357,913
Debt Service						
Principal Retirement				222,032	222,032	
Interest and Fiscal Charges				120,991	116,510	4,481
Total Expenditures	5,000		5,000	7,381,451	4,995,473	2,385,978
Excess of Revenues Over (Under) Expenditures	(1,100)	3,119	4,219	(2,713,322)	118,763	2,832,085
Other Financing Sources						
Sale of Fixed Assets				6,000		(6,000)
Other Financing Sources				205,100	234,413	29,313
Transfers-In				984,313	952,418	(31,895)
Advances-In					6,000	6,000
Total Other Financing Sources				1,195,413	1,192,831	(2,582)
Other Financing Uses						
Other Financing Uses				42,485	29,995	12,490
Transfers-Out				953,873	953,873	
Advances-Out					6,000	(6,000)
Total Other Financing Uses				996,358	989,868	6,490
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,100)	3,119	4,219	(2,514,267)	321,726	2,835,993
Fund Balances Beginning of Year	59,012	59,012		3,305,903	3,305,903	
Prior Period Adjustments					456	456
Prior Year Encumbrances Appropriated				329,239	329,239	
Fund Balances (Deficit) End of Year	57,912	62,131	4,219	1,120,875	3,957,324	2,836,449

**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, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	Enterprise Funds	Non- Expendable Trust Funds	
Operating Revenues			
Charges for Services	1,858,409	7,200	1,865,609
Interest Revenue		4,062	4,062
Other	3,754	5,138	8,892
Total Operating Revenues	<u>1,862,163</u>	<u>16,400</u>	<u>1,878,563</u>
Operating Expenses			
Personal Services	254,843		254,843
Contractual Services	1,281,530		1,281,530
Supplies and Materials	28,996		28,996
Depreciation	389,635		389,635
Other	102,013		102,013
Total Operating Expenses	<u>2,057,017</u>		<u>2,057,017</u>
Operating Income	<u>(194,854)</u>	<u>16,400</u>	<u>(178,454)</u>
Non-Operating Revenues			
Sale of Assets	6,500		6,500
Total Non-Operating Revenues	<u>6,500</u>		<u>6,500</u>
Non-Operating Expenses			
Interest and Fiscal Charges	74,230		74,230
Transfers-Out	3		3
Total Non-Operating Expenses	<u>74,233</u>		<u>74,233</u>
Net Non-Operating Revenues/Expenses	<u>(67,733)</u>		<u>(67,733)</u>
Net Income/Loss	<u>(262,587)</u>	<u>16,400</u>	<u>(246,187)</u>
Retained Earnings - January 1	<u>9,559,655</u>	<u>100,746</u>	<u>9,660,401</u>
Retained Earnings - December 31	<u>9,297,068</u>	<u>117,146</u>	<u>9,414,214</u>

See accompanying notes to the general purpose financial statements

**City of Canfield
Mahoning County**

**Combined Statement Of Cash Flows
Proprietary Fund Type and Non-Expendable Trust Funds
For the Year Ended December 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	
	<u>Enterprise Funds</u>	<u>Non-Expendable Trust</u>	Totals (Memorandum Only)
<i>Increase in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	1,845,635	17,339	1,862,974
Cash Payments to Suppliers for Goods and Services	(31,179)		(31,179)
Cash Payments for Contractual Services	(1,348,335)		(1,348,335)
Cash Payments for Employee Services and Benefits	(250,559)		(250,559)
Other Operating Revenues	3,754		3,754
Net Cash Provided by Operating Activities	219,316	17,339	236,655
 Cash Flows from Capital and Related Financing Activities			
Proceeds from the Issuance of Notes	360,230		360,230
Proceeds from Sale of Capital Assets	6,500		6,500
Purchase of Fixed Assets	(429,114)		(429,114)
Principal Payments-General Obligation Bonds	(107,506)		(107,506)
Interest Payments-General Obligation Bonds	(75,109)		(75,109)
Net Cash Used in Capital and Related Financing Activities	(244,999)		(244,999)
 Net Increase in Cash and Cash Equivalents	 (25,683)	 17,339	 (8,344)
Cash and Cash Equivalents Beginning of Year	3,376,641	99,499	3,476,140
Cash and Cash Equivalents End of Year	3,350,958	116,838	3,467,796
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	(194,854)	16,400	(178,454)
Adjustments:			
Depreciation	389,635		389,635
Accounts Receivable	(12,774)	939	(11,835)
Accounts Payable	33,150		33,150
Accrued Wages and Benefits	1,437		1,437
Compensated Absences Payable	3,199		3,199
Intergovernmental Payable	(476)		(476)
Net Cash Provided by Operating Activities	219,317	17,339	236,656
 Reconciliation of Cash and Cash Equivalents to the Balance Sheet:			
Trust and Agency Funds		229,927	
Less: Agency Funds		(113,089)	
Nonexpendable Trust Fund		116,838	

See accompanying notes to the general purpose financial statements

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2001

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, 2001

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.

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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2001

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, 2001

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, 2001**, 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, 2001

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 2001.

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

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

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

D. Cash and Cash Equivalents

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

For purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments with an original maturity of three months or less and cash and investments in the cash

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2001

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, 2001](#) 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, 2001

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 2001, interest costs incurred on construction projects in the proprietary funds were not material.

H. Accounting Change – GASB Statements No. 33 and 36

For the fiscal year 2001, the City implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Transactions.” The effect on fund balance/retained earnings as a result of implementing these statements is as follows:

General Fund	Increase in Fund Balance	\$6,156
Special Revenue Funds	Increase in Fund Balance	<u>14,915</u>
	Total	\$21,071

I. 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.

J. 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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2001

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

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

K. 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.

L. 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.

M. 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.

N. 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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2001

Note 3 - Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP).
4. Proceeds from and principal payments on notes are reported on the operating statement (budget) rather than as balance sheet transactions.

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	256,091	(132,213)	15,606	570,338	3,119
Net Adjustment for Revenue Accruals Advance In	(160,253) 6,000	14,553	4,862		
Net Adjustment for Expenditure Accruals Advance Out Encumbrances	11,067 (216,774)	145,157 (179,736)	(914) (6,000) (1,000)	(8,176)	
Budget Basis	<u>(103,869)</u>	<u>(158,239)</u>	<u>18,554</u>	<u>562,162</u>	<u>3,119</u>

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2001

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, 2001

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 **(\$195,332)** and the bank balance was **\$15,951**. 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 1	Category 3	Carrying Value	Market Value
Anthem Stock	125,582		125,582	125,582
Repurchase Agreements		3,496,042	3,496,042	3,496,042
STAR Ohio			4,580,990	4,580,990
Total Investments	125,582	3,496,042	8,202,614	8,202,614

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2001

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:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	7,881,760	
Cash on hand	(60)	
Investments of the cash management pool:		
Repurchase Agreements	(3,496,042)	3,496,042
STAR Ohio	(4,580,990)	4,580,990
GASB Statement No. 3	(195,332)	8,077,032

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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2001

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.

The full tax rate for all City operations for the year ended **December 31, 2001**, was **\$4.15** per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which **2001** property tax receipts were based are as follows:

Real Property	167,280,690
Public Utility Property	4,128,550
Tangible Personal Property	<u>9,158,320</u>
Total Valuation	<u><u>180,567,560</u></u>

B. Income Taxes

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

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

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

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

Non-Residents: Taxes are paid on income and wages earned from a business located in the City. The employer must withhold the City income tax on the wages paid all employees. Income earned while working within the city limits is taxable to the City and the employer (even when located outside of the City) must withhold the city tax on these wages. Independent contractors pay on earnings, payments, bonuses, commissions and/or fees received. Since they are not employees, the tax is not withheld by an employer and they file and pay their own taxes.

Non-Resident business: The tax is withheld on the individuals working within the City limits. Taxes are paid on the net profit of the portion of the business conducted within the City of Canfield or for the City of Canfield.

Income tax proceeds are received by the general fund.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2001

Note 6 - Receivables

Receivables at **December 31, 2001**, 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:

	<u>Amount</u>
<i>General Fund:</i>	
Revenue Assistance	12,971
Local Government	72,585
Estate Tax	112,738
State Grant-DARE	1,774
Total General Fund	<u>200,068</u>
<i>Special Revenue Funds:</i>	
Street Construction, Maintenance and Repair	173,173
State Highway	23,669
Cops In School Grant	23,055
Total Special Revenue Funds	<u>219,897</u>
<i>Debt Service Funds:</i>	
GO Debt Retirement Fund	10,291
Storm Water Debt Retirement Fund	7,203
Total Debt Service Funds	<u>17,494</u>
Total	<u><u>437,459</u></u>

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2001

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, 2001](#).

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, 2001](#), follows:

	Balance 1/01/2001	Additions	Deductions	Transfers	Balance 12/31/2001
Land	9,140				9,140
Buildings	1,544,671	3,003			1,547,674
Equipment	313,336	26,214			339,550
Infrastructure	16,486,123	450,403	(2,900)	282,895	17,216,521
Construction in Progress	55,239	5,000	(55,239)		5,000
Total	18,408,509	484,620	(58,139)	282,895	19,117,885
Less: Accumulated Depreciation	(5,391,095)	(389,635)	2,900		(5,777,830)
Net Fixed Assets	13,017,414	94,985	(55,239)	282,895	13,340,055

A summary of changes in general fixed assets follows:

	Balance 1/01/2001	Additions	Deductions	Transfers	Balance 12/31/2001
Land	512,100	97,460			609,560
Buildings	2,115,716	16,353			2,132,069
Improvements Other Than Buildings	53,110	1,755			54,865
Equipment	2,102,975	187,480	(445)		2,290,010
Infrastructure	10,355,954	675,712	(29,087)	(6,541)	10,996,038
Construction in Progress	55,283	9,143	(48,087)		16,339
Total	15,195,138	987,903	(77,619)	(6,541)	16,098,881

