



Dave Yost • Auditor of State

**CITY OF CANFIELD
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General and Street Construction, Maintenance and Repair Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2011, the City implemented Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2014

CITY OF CANFIELD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 UNAUDITED

The management's discussion and analysis of the City of Canfield's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- The total net assets of the City increased \$386,637. Net assets of governmental activities decreased \$52,958 or 0.32% from 2010 and net assets of business-type activities increased \$439,595 or 2.41% over 2010.
- General revenues accounted for \$3,424,001 of total governmental activities revenue. Program specific revenues accounted for \$1,323,270 or 27.87% of total governmental activities revenue.
- The City had \$4,801,755 in expenses related to governmental activities; \$1,323,270 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,478,485 were offset by general revenues (primarily taxes and unrestricted grants and entitlements) of \$3,424,001.
- The general fund had revenues and other financing sources of \$3,550,525 in 2011. This represents an increase of \$142,226 from 2010. The expenditures and other financing uses of the general fund, which totaled \$3,702,386 in 2011, increased \$130,599 from 2010. The net decrease in fund balance for the general fund was \$151,861 or 7.48%.
- The street construction maintenance and repair fund had revenues and other financing sources of \$872,066 in 2011. The expenditures of the street construction maintenance and repair fund, totaled \$993,868 in 2011. The net decrease in fund balance for the street construction maintenance and repair fund was \$121,802 or 11.32%.
- Net assets for the business-type activities, which are made up of the Sewer, Water and Storm Water enterprise funds, increased in 2011 by \$439,595 over the prior year. This increase was primarily due to an increase in revenue from grant reimbursements for the NE Storm Water Projects and capital contributions.
- In the general fund, the actual revenues and other financing sources came in \$49,512 higher than they were in the final budget and actual expenditures and other financing uses were \$374,292 less than the amount in the final budget. Budgeted expenditures were increased \$54,863 from the original to the final budget. Budgeted revenues were increased \$29,236 from the original to the final budget.
- In 2011 the City accepted another part of a subdivision which increased land and infrastructure in capital assets in the Governmental and Business-type activities.
- The City reissued a \$1,000,000 note for the repayment Red Gate land acquisition, thereby reducing the principal \$150,000. The new interest rate is 3.60% and the debt is scheduled to be paid off within 8 years.
- The City was awarded a Federal Grant to operate the OVI Task Force. The grant is 100% reimbursable.
- Significant capital improvements to the city in 2011 were Phase 5 of the Issue 2 Storm Water Projects, painting of the Hillside and Fairground water tanks, the replacement of Skyline and Callahan water lines, N Broad St Safety Upgrade Issue 2 Project, and the Fairground-Hood Drive Sidewalk project.

CITY OF CANFIELD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, parks, recreation, cemeteries, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer, water and storm water operations are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

CITY OF CANFIELD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and the street construction maintenance and repair fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-25 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and storm water management functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency and private-purpose trust funds are the City's fiduciary fund types. The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found beginning on page 31 of this report.

CITY OF CANFIELD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2011 and 2010:

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	Restated <u>2010</u>	<u>2011</u>	Restated <u>2010</u>	<u>2011</u>	Restated <u>2010</u>
Assets:						
Current and Other Assets	\$ 5,508,668	\$ 5,621,201	\$ 3,663,425	\$ 3,983,762	\$ 9,172,093	\$ 9,604,963
Capital Assets	<u>13,324,549</u>	<u>13,493,364</u>	<u>15,575,399</u>	<u>14,925,369</u>	<u>28,899,948</u>	<u>28,418,733</u>
Total Assets	<u>18,833,217</u>	<u>19,114,565</u>	<u>19,238,824</u>	<u>18,909,131</u>	<u>38,072,041</u>	<u>38,023,696</u>
Liabilities:						
Long-term Liabilities Outstanding	1,316,252	1,481,800	463,587	503,932	1,779,839	1,985,732
Other Liabilities	<u>764,172</u>	<u>827,014</u>	<u>96,203</u>	<u>165,760</u>	<u>860,375</u>	<u>992,774</u>
Total Liabilities	<u>2,080,424</u>	<u>2,308,814</u>	<u>559,790</u>	<u>669,692</u>	<u>2,640,214</u>	<u>2,978,506</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	12,180,278	12,174,174	15,126,436	14,435,240	27,306,714	26,609,414
Restricted	2,029,292	2,222,040	-	-	2,029,292	2,222,040
Unrestricted	<u>2,543,223</u>	<u>2,409,537</u>	<u>3,552,598</u>	<u>3,804,199</u>	<u>6,095,821</u>	<u>6,213,736</u>
Total Net Assets	<u>\$ 16,752,793</u>	<u>\$ 16,805,751</u>	<u>\$ 18,679,034</u>	<u>\$ 18,239,439</u>	<u>\$ 35,431,827</u>	<u>\$ 35,045,190</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the City's assets exceeded liabilities by \$35,431,827. At year-end, net assets were \$16,752,793 and \$18,679,034 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 75.91% of total assets. Capital assets include land, buildings, land improvements, equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$12,180,278 and \$15,126,436 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$2,029,292, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$2,543,223 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF CANFIELD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

The table below shows the changes in net assets for fiscal year 2011 and 2010.

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	Restated 2010	2011	Restated 2010	2011	Restated 2010
Revenues						
Program revenues:						
Charges for services	\$ 520,686	\$ 548,264	\$ 2,904,120	\$ 2,845,572	\$ 3,424,806	\$ 3,393,836
Operating grants and contributions	573,690	544,412	-	-	573,690	544,412
Capital grants and contributions	228,894	719,484	449,320	987,529	678,214	1,707,013
Total program revenues	<u>1,323,270</u>	<u>1,812,160</u>	<u>3,353,440</u>	<u>3,833,101</u>	<u>4,676,710</u>	<u>5,645,261</u>
General revenues:						
Property taxes	490,225	564,459	-	-	490,225	564,459
Income taxes	2,504,409	2,349,758	-	-	2,504,409	2,349,758
Unrestricted grants and entitlements	426,873	677,528	-	-	426,873	677,528
Increase/decrease in fair value of investments	49,928	(7,256)	-	(28)	49,928	(7,284)
Investment earnings	12,137	26,085	-	-	12,137	26,085
Miscellaneous	16,764	27,137	1,268	933	18,032	28,070
Gain/(Loss) on Sale of Capital Assets	(76,335)	1	5,115	-	(71,220)	1
Total general revenues	<u>3,424,001</u>	<u>3,637,712</u>	<u>6,383</u>	<u>905</u>	<u>3,430,384</u>	<u>3,638,617</u>
Total revenues	<u>4,747,271</u>	<u>5,449,872</u>	<u>3,359,823</u>	<u>3,834,006</u>	<u>8,107,094</u>	<u>9,283,878</u>
Expenses:						
General government	945,864	896,854	-	-	945,864	896,854
Security of persons and property	2,509,695	2,413,721	-	-	2,509,695	2,413,721
Public health and welfare	117,232	57,617	-	-	117,232	57,617
Leisure time activity	89,626	100,511	-	-	89,626	100,511
Community environment	92,960	94,045	-	-	92,960	94,045
Transportation	997,346	1,005,014	-	-	997,346	1,005,014
Other	-	759	-	-	-	759
Interest and fiscal charges	49,032	54,923	-	-	49,032	54,923
Water	-	-	1,425,328	1,344,469	1,425,328	1,344,469
Sewer	-	-	1,294,791	1,179,158	1,294,791	1,179,158
Storm	-	-	198,583	178,565	198,583	178,565
Total expenses	<u>4,801,755</u>	<u>4,623,444</u>	<u>2,918,702</u>	<u>2,702,192</u>	<u>7,720,457</u>	<u>7,325,636</u>
Increase in net assets before extraordinary items and transfers	(54,484)	826,428	441,121	1,131,814	386,637	1,958,242
Transfers	<u>1,526</u>	<u>1,672</u>	<u>(1,526)</u>	<u>(1,672)</u>	<u>-</u>	<u>-</u>
Change in net assets	(52,958)	828,100	439,595	1,130,142	386,637	1,958,242
Net assets at beginning of year	<u>16,805,751</u>	<u>15,977,651</u>	<u>18,239,439</u>	<u>17,109,297</u>	<u>35,045,190</u>	<u>33,086,948</u>
Net assets at end of year	<u>\$ 16,752,793</u>	<u>\$ 16,805,751</u>	<u>\$ 18,679,034</u>	<u>\$ 18,239,439</u>	<u>\$ 35,431,827</u>	<u>\$ 35,045,190</u>

CITY OF CANFIELD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

Governmental Activities

Governmental activities net assets decreased \$52,958 in 2011. The majority of this decrease is the result of a decrease in capital contributions and a decrease in unrestricted grants and entitlements.

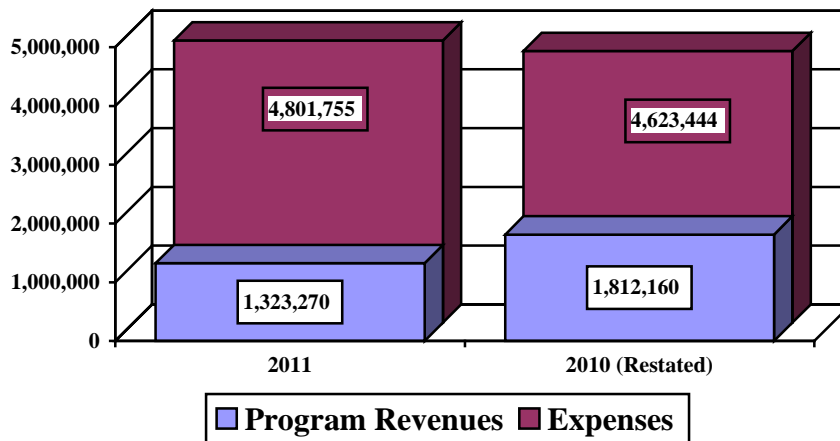
Security of persons and property which primarily supports the operations of the police department and street lights accounted for \$2,509,695 or 52.27% of the total expenses of the City. Security of persons and property expenses were partially funded by \$352,890 in direct charges to users of the services. General government expenses totaled \$945,864. General government expenses were partially funded by \$273,447 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$573,690 in operating grants and contributions and \$127,123 in capital grants and contributions. These revenues are restricted to a particular program or purpose. The remainder of the capital contribution was from the addition of part of a subdivision. Of the total operating grants and contributions, \$450,004 subsidized transportation programs.

General revenues totaled \$3,424,001, and amounted to 72.13% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,994,634. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and estate tax revenue, making up \$426,873.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities. As program revenues are not sufficient to cover total governmental expenses.

Governmental Activities – Program Revenues vs. Total Expenses



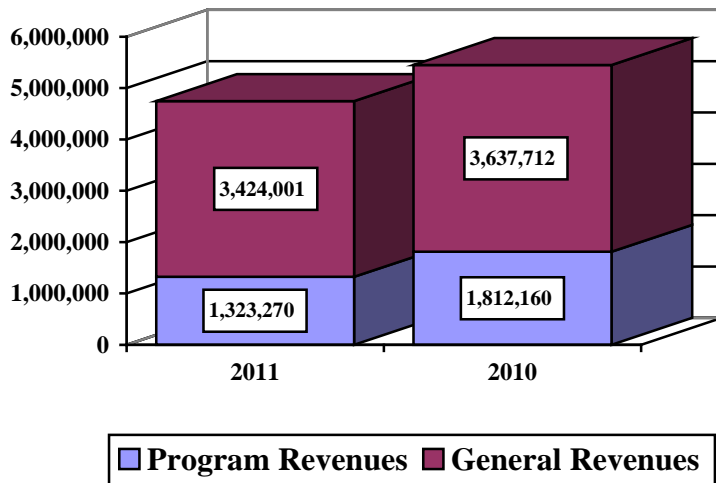
CITY OF CANFIELD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	(Restated) Total Cost of Services	(Restated) Net Cost of Services
	2011	2011	2010	2010
Program Expenses:				
General government	\$ 945,864	\$ 672,417	\$ 896,854	\$ 594,559
Security of persons and property	2,509,695	2,156,805	2,413,721	2,054,062
Public health and welfare	117,232	88,278	57,617	39,833
Leisure time activity	89,626	72,685	100,511	82,834
Community environment	92,960	81,690	94,045	81,992
Transportation	997,346	357,578	1,005,014	(97,679)
Other	-	-	759	759
Interest and fiscal charges	49,032	49,032	54,923	54,922
Total	\$ 4,801,755	\$ 3,478,485	\$ 4,623,444	\$ 2,811,282

The dependence upon general revenues for governmental activities is apparent, with 72.44% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2011 and 2010.

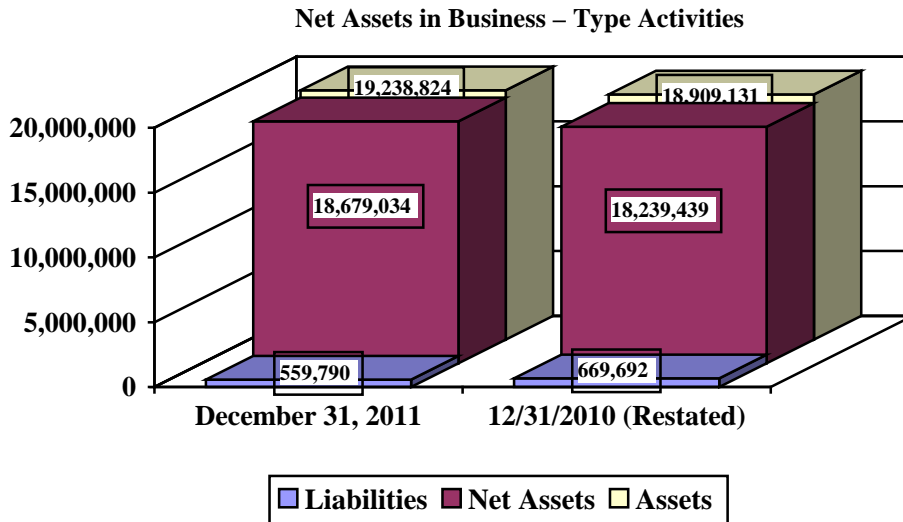
Governmental Activities – General and Program Revenues



CITY OF CANFIELD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

Business-type Activities

Business-type activities include the sewer, water and storm water enterprise funds. These programs had operating revenues of \$3,353,440, general revenues of \$6,383 and expenses of \$2,918,702 for 2011. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$3,849,141 which is a decrease of \$156,713 over last year's total of \$4,005,854.

CITY OF CANFIELD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2011 for all major and non-major governmental funds.

	Fund Balances <u>12/31/11</u>	(Restated) Fund Balances <u>12/31/10</u>	Increase (Decrease)	Percentage Change
Major Funds:				
General	\$ 1,878,016	\$ 2,029,877	\$ (151,861)	(7.48%)
Street Construction, Maintenance and Repair	954,627	1,076,429	(121,802)	(11.32%)
Red Gate Debt Retirement Fund	90,396	124,461	(34,065)	(27.37%)
N Broad St Safety Upgrade Fund - Phase 1	43,235	-	43,235	100.00%
Other Nonmajor Governmental Funds	<u>882,867</u>	<u>775,087</u>	<u>107,780</u>	13.91%
Total	<u>\$ 3,849,141</u>	<u>\$ 4,005,854</u>	<u>\$ (156,713)</u>	(3.91%)

General Fund

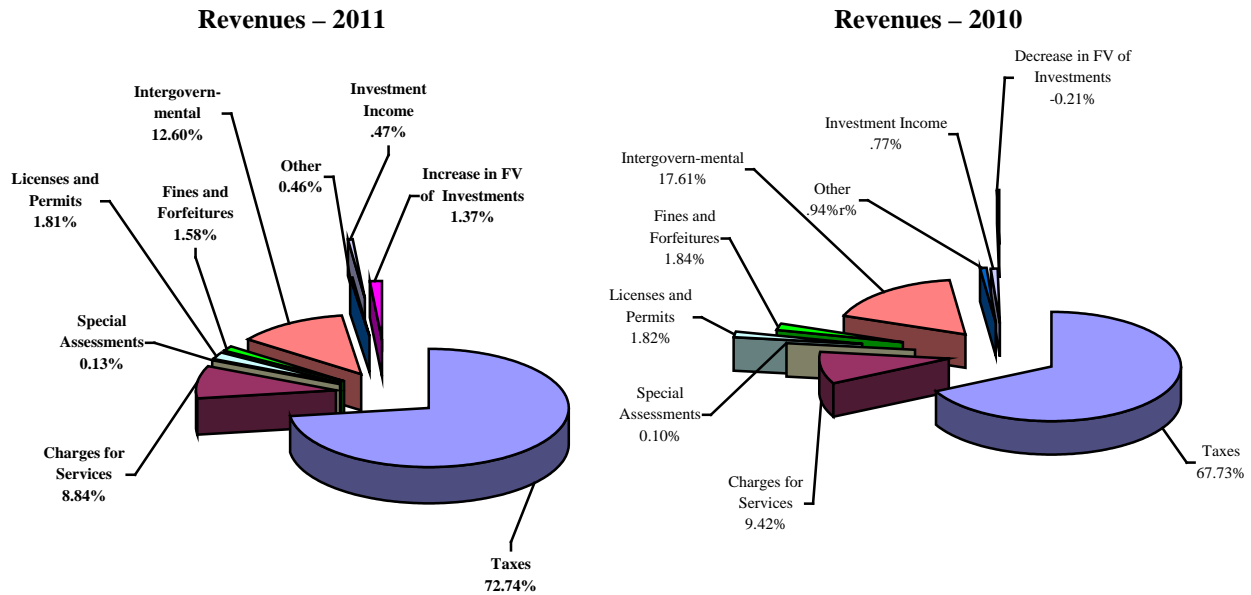
The City's general fund balance decreased \$151,861. The table that follows assists in illustrating the revenues of the general fund.

	2011 <u>Amount</u>	(Restated) 2010 <u>Amount</u>	Increase (Decrease)	Percentage Change
Revenues				
Income Taxes	\$ 2,450,104	\$ 2,308,433	\$ 141,671	6.14%
Special Assessments	4,239	3,477	762	21.92%
Charges for Services	297,857	321,045	(23,188)	(7.22%)
Licenses and Permits	60,929	61,917	(988)	(1.60%)
Fines and Forfeitures	53,386	62,644	(9,258)	(14.78%)
Intergovernmental	424,413	600,082	(175,669)	(29.27%)
Investment income	15,942	26,085	(10,143)	(38.88%)
Increase in Fair Value of Investments	46,123	(7,256)	53,379	(735.65%)
Other	<u>15,417</u>	<u>31,869</u>	<u>(16,452)</u>	(51.62%)
Total	<u>\$ 3,368,410</u>	<u>\$ 3,408,296</u>	<u>\$ (39,886)</u>	(1.17%)

Revenues in the general fund decreased \$39,886 over 2010. Income tax revenue represents 72.74% of all general fund revenue. Income tax revenue increased 6.14% over the prior year. This is the first year since 2001 that the income tax has seen a significant increase. The fair value of investments increased 735.65%. The large fluctuation in stock value in 2011 was from the come-back of stock values from 2010. Since then the values have been fluctuating slightly up and down. The decrease in intergovernmental revenue was for a change in revenue classifications that went from intergovernmental to charges for services and fines and forfeitures. The last significant decrease was in investment income which has declined ever since 2001.

CITY OF CANFIELD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**



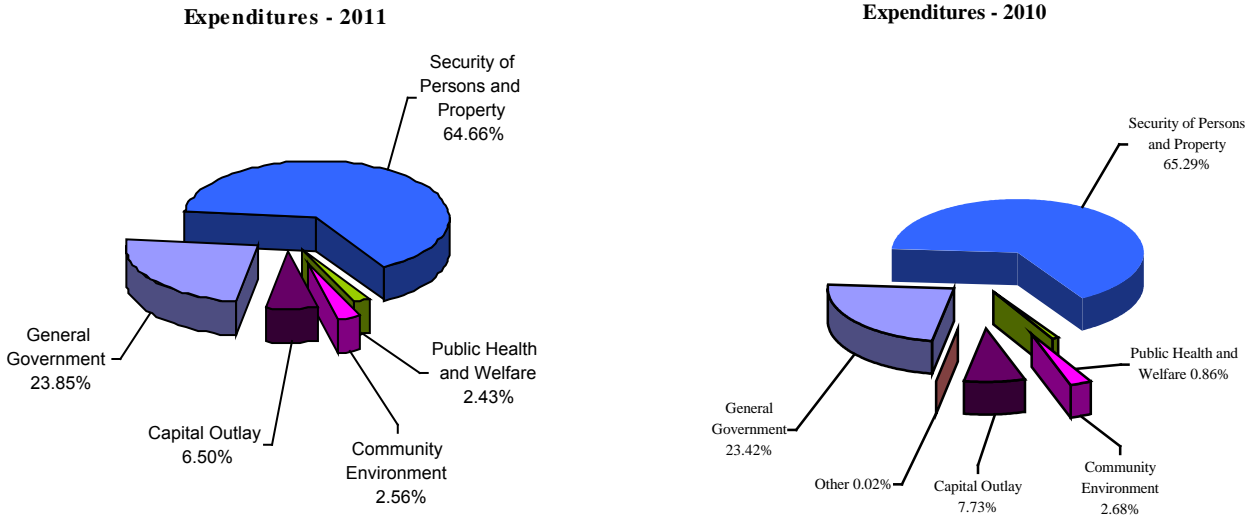
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2011</u> <u>Amount</u>	<u>2010</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
General Government	\$ 848,989	\$ 806,865	\$ 42,124	5.22%
Security of Persons and Property	2,301,391	2,249,687	51,704	2.30%
Public Health and Welfare	86,421	29,609	56,812	191.87%
Community Environment	90,954	92,522	(1,568)	(1.69%)
Other	-	759	(759)	(100.00%)
Capital Outlay	231,430	266,470	(35,040)	(13.15%)
Total	<u>\$ 3,559,185</u>	<u>\$ 3,445,912</u>	<u>\$ 113,273</u>	3.29%

The City increased total expenditures by 3.29%. Community Environment, Other and Capital Outlay had the only decreases. Capital Outlay is a category that can fluctuate significantly depending on what is being replaced or purchased. The largest increase was in Public Health and Welfare. This increase is mainly a timing issue. Prepaid expenses in 2010 were \$29,554 versus \$47 in 2011.

CITY OF CANFIELD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**



Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund and the street construction maintenance and repair fund. In the general fund, the actual revenues and other financing sources came in \$49,512 higher than they were in the final budget and actual expenditures and other financing uses were \$374,292 less than the amount in the final budget. Budgeted expenditures were increased \$54,863 from the original to the final budget. Budgeted revenues were increased \$29,236 from the original to the final budget.

Street Construction Maintenance and Repair Fund

The street construction maintenance and repair fund had revenues and other financing sources of \$872,066 in 2011. The expenditures of the street construction maintenance and repair fund, totaled \$993,868 in 2011. The net decrease in fund balance for the street construction maintenance and repair fund was \$121,802 or 11.32%.

CITY OF CANFIELD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. All of the City's enterprise funds are considered major funds. The Water fund had operating revenues of \$1,237,432 and operating expenses of \$1,425,328 for 2011. The Water fund net assets decreased \$124,126 in 2011. The Sewer fund had operating revenues of \$1,490,803 and operating expenses of \$1,294,791 for 2011. The Sewer fund net assets increased \$323,336 in 2011. The Storm fund had operating revenues of \$177,153 and operating expenses of \$198,583 for 2011. The Storm fund net assets increased \$240,385 in 2011.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the City had \$28,899,948 (net of accumulated depreciation) invested in land, buildings, land improvements, equipment, vehicles, infrastructure, and construction in progress (CIP). Of this total, \$13,324,549 was reported in governmental activities and \$15,575,399 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows fiscal 2011 balances compared to 2010:

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

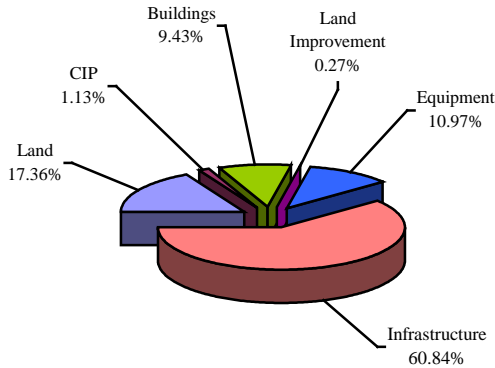
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
		(Restated)		(Restated)		(Restated)
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 2,312,599	\$ 2,368,951	\$ 21,297	\$ 21,297	\$ 2,333,896	\$ 2,390,248
Construction in progress	151,094	128,518	1,085,093	893,992	1,236,187	1,022,510
Buildings	1,256,264	1,496,059	885,586	916,563	2,141,850	2,412,622
Land improvements	36,061	37,885	-	-	36,061	37,885
Equipment	1,462,367	1,200,834	167,248	104,271	1,629,615	1,305,105
Infrastructure	8,106,164	8,261,117	13,416,175	12,989,246	21,522,339	21,250,363
Totals	<u>\$ 13,324,549</u>	<u>\$ 13,493,364</u>	<u>\$ 15,575,399</u>	<u>\$ 14,925,369</u>	<u>\$ 28,899,948</u>	<u>\$ 28,418,733</u>

CITY OF CANFIELD, OHIO

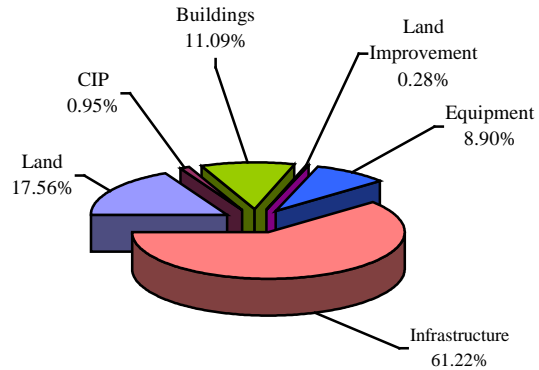
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

The following graphs show the breakdown of governmental capital assets by category for 2011 and 2010.

**Capital Assets - Governmental Activities
2011**



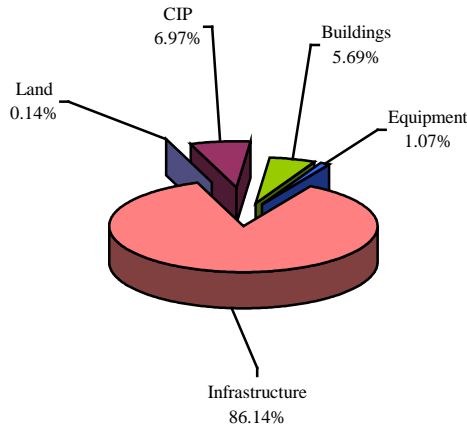
**Capital Assets - Governmental Activities
2010**



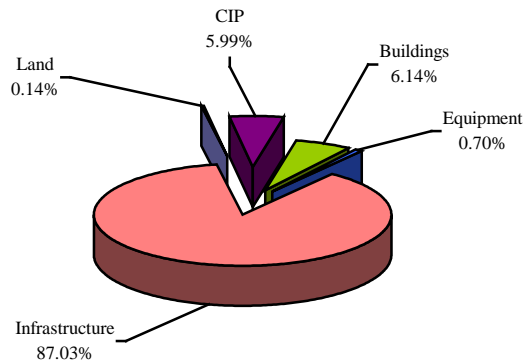
The City's infrastructure is the largest governmental activities capital asset category, which includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 60.84% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2011 and 2010.

Capital Assets - Business-Type Activities 2011



Capital Assets - Business-Type Activities 2010



The City's largest business-type capital asset category is infrastructure, which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 86.14% of the City's total business-type capital assets.

CITY OF CANFIELD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

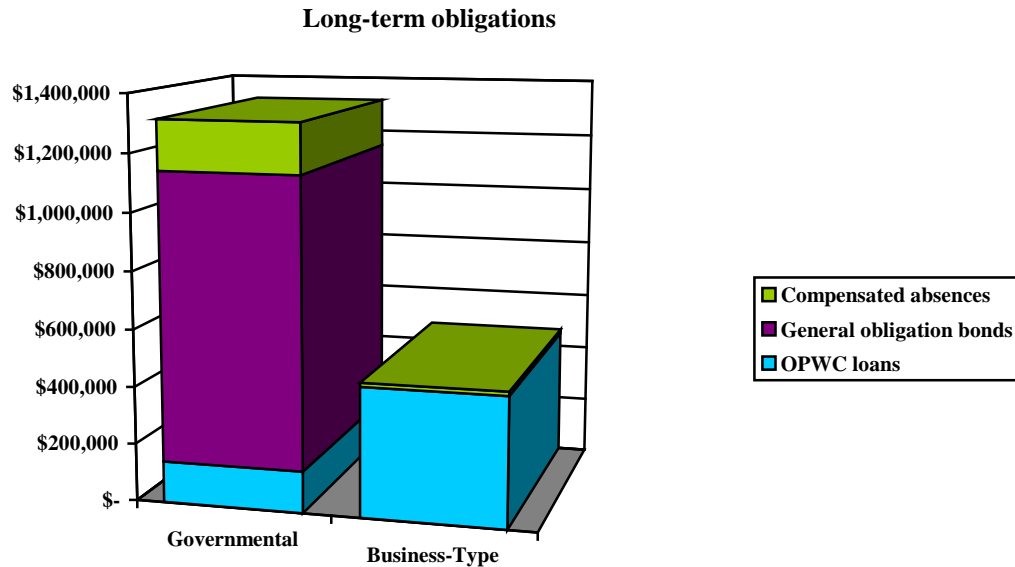
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2011 and 2010:

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
OPWC loans	\$ 144,271	\$ 169,190
General obligation bonds	1,000,000	1,150,000
Compensated absences	<u>171,981</u>	<u>162,610</u>
Total long-term obligations	<u>\$ 1,316,252</u>	<u>\$ 1,481,800</u>

	Business-type Activities	
	<u>2011</u>	<u>2010</u>
Revenue bonds		
OPWC loans	\$ 448,963	\$ 490,129
Compensated absences	<u>14,624</u>	<u>13,803</u>
Total long-term obligations	<u>\$ 463,587</u>	<u>\$ 503,932</u>

A comparison of the long-term obligations by category is depicted in the chart below.



Further detail on the City's long-term obligations can be found in Note 11 to the financial statements.

CITY OF CANFIELD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 UNAUDITED

Economic Conditions and Outlook

The City of Canfield continues to grow, thriving as a small and attractive planned community of approximately 8,500 residents. A comfortable and secure residential environment, combined with a healthy business community, enables the City to retain a strong financial standing with minimal debt.

Using revenues primarily generated from its 1.00% income tax, combined with aggressive and successful efforts to secure state and local grants, the city has been able to fund a capital improvements program. These funds have been used to maintain and improve an impressive municipal infrastructure, while continually improving the overall appearance and attractiveness of the community.

In addition to ongoing utility improvements, the City has a street paving program that maintains and improves thoroughfares with a rotation that would have each road improved once every ten years.

Even during the current economic downturn and without tapping its financial reserves, the City has been able to maintain its revenue base, increase productivity of its workforce, and control operating costs through effective management and the use of technology.

The City offers an attractive, and stable residential environment with above average property appreciation rates. Numerous parks, quality recreational facilities, reasonable utility and tax rates, a quality public safety force, excellent schools and an aggressive capital improvements program, have all positioned the city well to maintain and improve its image as a progressive and inviting community.

The City has enjoyed recognition such as being designated "Tree City U.S.A." since 1981 by the Arbor Day Foundation. This honor has been earned through the compliance in the preservation of planting of trees. In 1967, it also became known as one of the nation's twelve cleanest cities, another honor richly deserved through the diligence of City officials and residents. In July of 2005, the City was among the list of top 100 places to live. Canfield was No. 82 on the annual list of the best places to live compiled by Money magazine and CNN/Money. The list's authors compared 1,300 towns to develop the rankings.

The list considered low crime rates, pollution and auto insurance rates, leisure activities, cultural options, affordable housing, commute time and access to quality health care. Canfield has an excellent low cost of living and [low cost] of housing. According to Money and CNN calculations, the average price of a home in Canfield was \$144,028, compared with the \$316,665 average in communities that made the list. The list's authors found that personal and property crime risks were well below the best places average, but the air pollution index was slightly higher than the national average.

High quality schools, low cost of living and low crime are things that help the community stand out.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Christine Stack-Clayton, Director of Finance, 104 Lisbon Street, Canfield, Ohio 44406.

CITY OF CANFIELD, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 3,044,241	\$ 2,878,938	\$ 5,923,179
Investments	334,630	2,854	337,484
Receivables (Net of Allowance for Uncollectibles)			
Income Taxes	681,281	-	681,281
Real and Other Taxes	559,159	-	559,159
Accounts	117,817	743,072	860,889
Special Assessments	19,269	-	19,269
Due From Other Governments	561,579	162,510	724,089
Internal Balances	140,000	(140,000)	-
Prepayments	50,692	16,051	66,743
Capital Assets			
Land and Construction in Progress	2,463,693	1,106,390	3,570,083
Depreciable Capital Assets, net	10,860,856	14,469,009	25,329,865
Total Capital Assets	<u>13,324,549</u>	<u>15,575,399</u>	<u>28,899,948</u>
Total Assets	<u>18,833,217</u>	<u>19,238,824</u>	<u>38,072,041</u>
Liabilities:			
Accounts Payable	34,448	3,299	37,747
Accrued Wages and Benefits	91,752	12,589	104,341
Due to Other Governments	141,362	80,315	221,677
Deferred Revenue	496,610	-	496,610
Long-term Liabilities:			
Due Within One Year	277,330	55,790	333,120
Due in More Than One Year	1,038,922	407,797	1,446,719
Total Liabilities	<u>2,080,424</u>	<u>559,790</u>	<u>2,640,214</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	12,180,278	15,126,436	27,306,714
Restricted	2,029,292	-	2,029,292
Unrestricted	2,543,223	3,552,598	6,095,821
Total Net Assets	<u><u>\$ 16,752,793</u></u>	<u><u>\$ 18,679,034</u></u>	<u><u>\$ 35,431,827</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ (945,864)	\$ 225,701	\$ 47,746	\$ -	\$ (672,417)	\$ -	\$ (672,417)
Security of Persons and Property	(2,509,695)	240,370	73,390	39,130	(2,156,805)	-	(2,156,805)
Public Health and Welfare	(117,232)	28,550	404	-	(88,278)	-	(88,278)
Leisure Time Activities	(89,626)	14,795	2,146	-	(72,685)	-	(72,685)
Community Environment	(92,960)	11,270	-	-	(81,690)	-	(81,690)
Transportation	(997,346)	-	450,004	189,764	(357,578)	-	(357,578)
Interest and Fiscal Charges	(49,032)	-	-	-	(49,032)	-	(49,032)
Total Governmental Activities	<u>(4,801,755)</u>	<u>520,686</u>	<u>573,690</u>	<u>228,894</u>	<u>(3,478,485)</u>	<u>-</u>	<u>(3,478,485)</u>
Business-type Activities:							
Water	(1,425,328)	1,236,940	-	58,655	-	(129,733)	(129,733)
Sewer	(1,294,791)	1,490,782	-	123,980	-	319,971	319,971
Storm	(198,583)	176,398	-	266,685	-	244,500	244,500
Total Business-type Activities	<u>(2,918,702)</u>	<u>2,904,120</u>	<u>-</u>	<u>449,320</u>	<u>-</u>	<u>434,738</u>	<u>434,738</u>
Total Primary Government	<u>\$ (7,720,457)</u>	<u>\$ 3,424,806</u>	<u>\$ 573,690</u>	<u>\$ 678,214</u>	<u>(3,478,485)</u>	<u>434,738</u>	<u>(3,043,747)</u>
General Revenues:							
Property Taxes Levied for:							
Street Construction, Maintenance and Repair					368,070	-	368,070
Debt Retirement					122,155	-	122,155
Income Taxes Levied for:							
General Purposes					2,504,409	-	2,504,409
Grants and Entitlements Not Restricted to Specific Programs					426,873	-	426,873
Decrease in Fair Value of Investments					49,928	-	49,928
Investment Earnings					12,137	-	12,137
Miscellaneous					16,764	1,268	18,032
Gain/(Loss) On Sale of Capital Assets					(76,335)	5,115	(71,220)
Total General Revenues					<u>3,424,001</u>	<u>6,383</u>	<u>3,430,384</u>
Transfers					<u>1,526</u>	<u>(1,526)</u>	<u>-</u>
Change in Net Assets					(52,958)	439,595	386,637
Net Assets at Beginning of Year (Restated)					<u>16,805,751</u>	<u>18,239,439</u>	<u>35,045,190</u>
Net Assets at End of Year					<u>\$ 16,752,793</u>	<u>\$ 18,679,034</u>	<u>\$ 35,431,827</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Street Construction Maintenance and Repair	Red Gate Debt Retirement Fund	N Broad St Safety Upgrade Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 421,519	\$ 873,193	\$ 90,396	\$ 698,235	\$ 960,898	\$ 3,044,241
Investments	334,630	-	-	-	-	334,630
Receivables (Net of Allowance for Uncollectibles)	-	-	-	-	-	-
Income Taxes	681,281	-	-	-	-	681,281
Real and Other Taxes	-	428,654	130,505	-	-	559,159
Accounts	113,951	-	-	-	3,866	117,817
Interfund Loans	885,000	-	-	-	-	885,000
Special Assessments	-	-	-	-	19,269	19,269
Due From Other Governments	158,532	237,112	14,242	89,519	62,174	561,579
Prepayments	42,155	6,203	-	-	2,334	50,692
Total Assets	\$ 2,637,068	\$ 1,545,162	\$ 235,143	\$ 787,754	\$ 1,048,541	\$ 6,253,668
Liabilities:						
Accounts Payable	\$ 30,056	\$ 354	\$ -	\$ -	\$ 4,038	\$ 34,448
Contracts Payable	-	-	-	-	-	-
Accrued Wages and Benefits	83,352	7,012	-	-	1,388	91,752
Interfund Loan Payable	-	-	-	655,000	90,000	745,000
Due to Other Governments	130,168	7,874	-	-	3,320	141,362
Deferred Revenue	515,476	575,295	144,747	89,519	66,928	1,391,965
Total Liabilities	759,052	590,535	144,747	744,519	165,674	2,404,527
Fund Balances:						
Nonspendable	44,414	6,203	-	-	74,734	125,351
Restricted	-	948,424	90,396	43,235	432,564	1,514,619
Committed	7,443	-	-	-	391,180	398,623
Assigned	51,396	-	-	-	21,643	73,039
Unassigned	1,774,763	-	-	-	(37,254)	1,737,509
Total Fund Balances:	1,878,016	954,627	90,396	43,235	882,867	3,849,141
Total Liabilities and Fund Balances	\$ 2,637,068	\$ 1,545,162	\$ 235,143	\$ 787,754	\$ 1,048,541	\$ 6,253,668

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

Total Governmental Fund Balances \$ 3,849,141

Amounts reported for governmental activities on the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 13,324,549

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Income Taxes	\$ 372,304
Real and Other Taxes	47,549
Charges for Services	7,962
Special Assessments	19,269
Intergovernmental	446,684
Other	<u>1,587</u>

Total 895,355

In the statement of activities interest is accrued on outstanding bonds, notes and loans payable, whereas in governmental funds, interest expenditures are reported when due. -

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:

Compensated Absences Payable	(171,981)
General Obligation Bonds Payable	(1,000,000)
OPWC Loans Payable	<u>(144,271)</u>

Total (1,316,252)

Net Assets of Governmental Activities **\$ 16,752,793**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Street Construction, Maintenance and Repair	Red Gate Debt Retirement Fund	N Broad St Safety Upgrade Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Income Taxes	\$ 2,450,104	\$ -	\$ -	\$ -	\$ -	\$ 2,450,104
Real and Other Taxes	-	366,578	121,611	-	-	488,189
Other Local Taxes	-	62,323	-	-	-	62,323
Special Assessments	4,239	-	-	-	32,452	36,691
Charges for Services	297,857	-	-	-	43,346	341,203
Licenses and Permits	60,929	-	-	-	-	60,929
Fines and Forfeitures	53,386	-	-	-	61,391	114,777
Intergovernmental	424,413	435,294	22,670	-	46,321	928,698
Investment Income	15,942	2,107	-	-	1,193	19,242
Decrease in FV of Investments	46,123	-	-	-	-	46,123
Other	15,417	264	-	-	52,533	68,214
Total Revenues	3,368,410	866,566	144,281	-	237,236	4,616,493
Expenditures:						
Current:						
General Government	848,989	-	-	-	16,241	865,230
Security of Persons and Property	2,301,391	-	-	-	64,957	2,366,348
Public Health and Welfare	86,421	-	-	-	27,381	113,802
Leisure Time Activities	-	-	-	-	74,117	74,117
Community Environment	90,954	-	-	-	-	90,954
Basic Utility Services	-	-	-	-	-	-
Transportation	-	696,804	-	-	16,693	713,497
Capital Outlay	231,430	83,114	-	107,515	110,705	532,764
Debt Service:						
Principal Retirement	-	-	1,150,000	-	24,919	1,174,919
Interest & Fiscal Charges	-	-	49,190	-	-	49,190
Total Expenditures	3,559,185	779,918	1,199,190	107,515	335,013	5,980,821
Excess (Deficiency) of Revenues Over (Under) Expenditures	(190,775)	86,648	(1,054,909)	(107,515)	(97,777)	(1,364,328)
Other Financing Sources (Uses)						
Proceeds From the Sale of Public Debt	-	-	1,000,000	-	-	1,000,000
Sale of Capital Assets	182,115	5,500	-	-	20,000	207,615
Transfers in	-	-	20,844	150,750	206,401	377,995
Transfers out	(143,201)	(213,950)	-	-	(20,844)	(377,995)
Total Other Financing Sources (Uses)	38,914	(208,450)	1,020,844	150,750	205,557	1,207,615
Net Change in Fund Balance	(151,861)	(121,802)	(34,065)	43,235	107,780	(156,713)
Fund Balances at the Beginning of the Year (Restated)	2,029,877	1,076,429	124,461	-	775,087	4,005,854
Fund Balances at End of the Year	\$ 1,878,016	\$ 954,627	\$ 90,396	\$ 43,235	\$ 882,867	\$ 3,849,141

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net Change in Fund Balances - Total Governmental Funds **\$ (156,713)**

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Asset Additions	\$	532,764
Capital Contributions		101,771
Current Year Depreciation		<u>(519,400)</u>

Total 115,135

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(283,950)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income Taxes		54,305
Real and Other Taxes		2,036
Charges for Services		7,962
Special Assessments		(40,877)
Intergovernmental Revenues		84,811
Contributed Capital		-
Other		<u>(1,373)</u>

Total 106,864

Issuance of notes is recorded as revenue in the funds, however, in the Statement of Activities they are not reported as other financing sources as they increase liabilities in the Statement of Net Assets

(1,000,000)

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

1,174,919

In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.

158

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

(9,371)

Change in Net Assets of Governmental Activities **\$ (52,958)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income Taxes	\$ 2,300,100	\$ 2,300,100	\$ 2,414,107	\$ 114,007
Special Assessments	500	500	4,239	3,739
Charges for Services	289,218	289,218	300,181	10,963
Licenses and Permits	58,165	58,165	61,323	3,158
Fines and Forfeitures	56,010	56,010	53,947	(2,063)
Intergovernmental	190,484	219,720	429,266	209,546
Investment Income	26,134	26,134	15,942	(10,192)
Other	13,354	13,354	17,399	4,045
Total Revenues	<u>2,933,965</u>	<u>2,963,201</u>	<u>3,296,404</u>	<u>333,203</u>
Expenditures:				
Current:				
General Government	1,016,230	1,036,910	889,022	147,888
Security of Persons and Property	2,632,136	2,632,136	2,497,693	134,443
Public Health and Welfare	60,200	60,200	56,914	3,286
Community Environment	121,449	121,449	96,552	24,897
Transportation	3,000	3,000	-	3,000
Other	46,809	46,809	26,593	20,216
Capital Outlay	255,274	289,384	248,822	40,562
Total Expenditures	<u>4,135,098</u>	<u>4,189,888</u>	<u>3,815,596</u>	<u>374,292</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,201,133)</u>	<u>(1,226,687)</u>	<u>(519,192)</u>	<u>707,495</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	465,808	465,808	182,115	(283,693)
Advances In	-	-	438,320	438,320
Advances Out	-	-	(885,000)	(885,000)
Transfers Out	(143,128)	(143,201)	(143,201)	-
Total Other Financing Sources (Uses)	<u>322,680</u>	<u>322,607</u>	<u>(407,766)</u>	<u>(730,373)</u>
Net Change in Fund Balance	(878,453)	(904,080)	(926,958)	(22,878)
Fund Balance at Beginning of Year (Restated)	740,592	740,592	740,592	-
Prior Year Encumbrances Appropriated	306,653	306,653	306,653	-
Fund Balance at End of Year	<u>\$ 168,792</u>	<u>\$ 143,165</u>	<u>\$ 120,287</u>	<u>\$ (22,878)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real and Other Taxes	\$ 400,590	\$ 397,323	\$ 399,578	\$ 2,255
Other Local Taxes	62,000	62,000	61,827	(173)
Intergovernmental	451,830	453,724	431,829	(21,895)
Investment Income	4,287	4,287	2,107	(2,180)
Other	-	-	509	509
Total Revenues	918,707	917,334	895,850	(21,484)
Expenditures:				
Current:				
Transportation	976,753	976,753	717,576	259,177
Capital Outlay	178,461	178,461	152,650	25,811
Total Expenditures	1,155,214	1,155,214	870,226	284,988
Excess of Expenditures Over Revenues	(236,507)	(237,880)	25,624	263,504
Other Financing Sources:				
Sale of Capital Assets	-	-	5,500	5,500
Transfers In	-	-	(213,950)	(213,950)
Total Other Financing Sources (Uses)	-	-	(208,450)	(208,450)
Net Change in Fund Balance	(236,507)	(237,880)	(182,826)	55,054
Fund Balance at Beginning of Year	893,910	893,910	893,910	-
Prior Year Encumbrances Appropriated	146,984	146,984	146,984	-
Fund Balance at End of Year	\$ 804,387	\$ 803,014	\$ 858,068	\$ 55,054

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm	Total
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,073,329	\$ 1,626,475	\$ 179,134	\$ 2,878,938
Investments	2,854	-	-	2,854
Receivables (Net of Allowance for Uncollectibles)				
Accounts	308,000	391,362	43,710	743,072
Due From Other Governments	-	-	162,510	162,510
Internal Balances	-	-	(140,000)	(140,000)
Prepayments	12,347	2,646	1,058	16,051
Total Current Assets	<u>1,396,530</u>	<u>2,020,483</u>	<u>246,412</u>	<u>3,663,425</u>
Noncurrent Assets:				
Capital Assets				
Land and Construction in Progress	468,506	9,775	628,109	1,106,390
Depreciable Capital Assets, Net	5,066,024	3,934,641	5,468,344	14,469,009
Total Capital Assets	<u>5,534,530</u>	<u>3,944,416</u>	<u>6,096,453</u>	<u>15,575,399</u>
Total Noncurrent Assets	<u>5,534,530</u>	<u>3,944,416</u>	<u>6,096,453</u>	<u>15,575,399</u>
Total Assets	<u>\$ 6,931,060</u>	<u>\$ 5,964,899</u>	<u>\$ 6,342,865</u>	<u>\$ 19,238,824</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 338	\$ 2,623	\$ 338	\$ 3,299
Accrued Wages and Benefits	5,375	6,208	1,006	12,589
Due to Other Governments	4,995	74,193	1,127	80,315
Compensated Absences	5,727	7,126	1,771	14,624
Current Portion of OPWC Loans	-	41,166	-	41,166
Total Current Liabilities	<u>16,435</u>	<u>131,316</u>	<u>4,242</u>	<u>151,993</u>
Long-term Liabilities:				
OPWC Loans	-	407,797	-	407,797
Total Long-term Liabilities	<u>-</u>	<u>407,797</u>	<u>-</u>	<u>407,797</u>
Total Liabilities	<u>16,435</u>	<u>539,113</u>	<u>4,242</u>	<u>559,790</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	5,534,530	3,495,453	6,096,453	15,126,436
Unrestricted	<u>1,380,095</u>	<u>1,930,333</u>	<u>242,170</u>	<u>3,552,598</u>
Total Net Assets	<u>\$ 6,914,625</u>	<u>\$ 5,425,786</u>	<u>\$ 6,338,623</u>	<u>\$ 18,679,034</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm	Total
Operating Revenues				
Charges for Services	\$ 1,236,940	\$ 1,490,782	\$ 176,398	\$ 2,904,120
Other	492	21	755	1,268
Total Operating Revenues	1,237,432	1,490,803	177,153	2,905,388
Operating Expenses:				
Personal Services	142,630	188,465	31,468	362,563
Contractual Services	994,238	908,604	9,883	1,912,725
Supplies and Materials	13,370	4,763	6,899	25,032
Other	57,052	57,000	10,000	124,052
Depreciation	218,038	135,959	140,333	494,330
Total Operating Expenses	1,425,328	1,294,791	198,583	2,918,702
Operating Income (Loss)	(187,896)	196,012	(21,430)	(13,314)
Nonoperating Revenues (Expenses):				
Intergovernmental Revenue	-	-	213,902	213,902
Gain on Disposal of Assets	5,115	-	-	5,115
Total Nonoperating Revenues (Expenses)	5,115	-	213,902	219,017
Income (Loss)/Changes in Net Assets	(182,781)	196,012	192,472	205,703
Capital Contributions	58,655	127,324	47,913	233,892
Changes in Net Assets	(124,126)	323,336	240,385	439,595
Net Assets at Beginning of Year (Restated)	7,038,751	5,102,450	6,098,238	18,239,439
Net Assets at End of Year	\$ 6,914,625	\$ 5,425,786	\$ 6,338,623	\$ 18,679,034

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Storm</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 1,188,556	\$ 1,424,834	\$ 172,074	\$ 2,785,464
Cash Received from Other Operations	569	115	782	1,466
Cash Payments for Personal Services	(142,929)	(184,138)	(31,954)	(359,021)
Cash Payments for Contractual Services	(1,056,650)	(875,617)	(9,874)	(1,942,141)
Cash Payments for Supplies and Materials	(13,635)	(4,764)	(6,899)	(25,298)
Cash Payments for Other Expenses	(57,052)	(57,000)	(10,000)	(124,052)
Net Cash Provided by Operating Activities	<u>(81,141)</u>	<u>303,430</u>	<u>114,129</u>	<u>336,418</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(508,728)	(17,345)	(421,961)	(948,034)
Gain on Disposal of Assets	5,115	-	-	5,115
Intergovernmental	-	-	258,165	258,165
Principal Retirement	-	(41,166)	-	(41,166)
Advances in	-	-	140,000	140,000
Advances Out	-	-	(433,320)	(433,320)
Net Cash Used in Capital and Related Financing Activities	<u>(503,613)</u>	<u>(58,511)</u>	<u>(457,116)</u>	<u>(1,019,240)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(584,754)	244,919	(342,987)	(682,822)
Cash and Cash Equivalents at Beginning of Year	<u>1,658,084</u>	<u>1,381,555</u>	<u>522,121</u>	<u>3,561,760</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,073,330</u>	<u>\$ 1,626,474</u>	<u>\$ 179,134</u>	<u>\$ 2,878,938</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used In) by Operating Activities:				
Operating Income (Loss)	\$ (187,896)	\$ 196,012	\$ (21,430)	\$ (13,314)
Adjustments:				
Depreciation	218,038	135,959	140,333	494,330
Changes in Assets and Liabilities:				
(Increase) in Accounts Receivable	(48,308)	(65,853)	(4,297)	(118,458)
Decrease in Prepayments	2,911	1,878	241	5,030
Increase/(Decrease) in Accrued Wages and Benefits	482	1,931	(69)	2,344
Increase/(Decrease) in Due to Other Governments	(63,547)	31,788	(251)	(32,010)
Increase/(Decrease) in Compensated Absences Payable	(470)	1,466	(175)	821
Increase/(Decrease) in Accounts Payable	(2,351)	249	(223)	(2,325)
Net Cash Provided (Used In) by Operating Activities	<u>\$ (81,141)</u>	<u>\$ 303,430</u>	<u>\$ 114,129</u>	<u>\$ 336,418</u>
Noncash Investing, Capital, and Financing Activities:				
Increase in Intergovernmental Receivables	-	-	44,263	44,263
Capital Assets Purchased on Account	743	(339)	37,162	37,566
Capital Contributions	58,655	127,324	47,913	233,892
	<u>\$ 59,398</u>	<u>\$ 126,985</u>	<u>\$ 129,338</u>	<u>\$ 315,721</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 27,855	\$ 43,383
Total Current Assets	<u>27,855</u>	<u>43,383</u>
 Total Assets	 <u>\$ 27,855</u>	 <u>\$ 43,383</u>
 Liabilities:		
Current Liabilities:		
Deposits Held and Due to Others	\$ -	\$ 43,383
Total Current Liabilities	<u>-</u>	<u>43,383</u>
 Total Liabilities	 <u>-</u>	 <u>43,383</u>
 Net Assets:		
Held in Trust for Other Purposes	<u>27,855</u>	<u>-</u>
 Total Net Assets	 <u><u>\$ 27,855</u></u>	 <u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Private Purpose Trust
Net Assets at Beginning of Year	<u>\$ 27,855</u>
Net Assets at End of Year	<u><u>\$ 27,855</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1 - DESCRIPTION OF THE CITY

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 City 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 City. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The most significant of the City's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

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.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

B. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

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

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund is used to account for and report all financial resources not accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio. This includes, but is not limited to, police and fire protection, public health activities, cemetery, and the general administration of City functions.

Street Construction Maintenance and Repair Fund - This fund accounts for revenues generated from license and gasoline taxes to be used on local roads within the City.

Red Gate Debt Retirement Fund - This fund accounts for the debt incurred from the acquisition of land and buildings. The primary revenue used to pay the debt is from property taxes.

N. Broad St. Safety Upgrade Fund - This fund was created to account for an Issue II grant capital project.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows.

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

Water Fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

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

Storm Fund - This fund accounts for the provision of storm water services to the residents and commercial users located within the City.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is a private-purpose trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has seven agency funds. The City's agency funds primarily account for mayor's court and deposits.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Private Purpose Trust Funds

Cemetery Endowment Fund - This fund accounts for endowments received by sale of lots and specific bequests. All monies of the fund shall be invested in any qualified investment as determined by the Ohio Revised Code, the City of Canfield's Charter and the Finance Director of the City of Canfield. The corpus of the Endowment Fund shall be used only for additional cemetery land acquisition or improvements necessary to expand the cemetery, and must be approved by a majority vote of Council.

Earnings from the Cemetery Endowment Fund may be transferred to the Cemetery Operating Fund and shall be used first to provide plantings, flowers and/or maintenance to those grave sites requiring same as a condition of a bequest. All other money shall be used for general care of the cemetery. Such care may include but not be limited to: (1) lawn and tree maintenance, replacement and additions; and (2) expenses involved with labor and equipment involved in (1).

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days after year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Budgetary Data

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

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal 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 appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased.

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 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 by an ordinance of Council.

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. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized during the year for budget control purposes. Encumbrances outstanding at year-end are reported as expenditures under the City's budgetary basis of accounting. For GAAP reporting purposes, encumbrances outstanding at year-end are reported in restricted, committed, or assigned fund balance for governmental funds since they do not constitute expenditures or liabilities.

CITY OF CANFIELD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. 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 the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During 2011, investments were limited to a repurchase agreement, investments in State Treasury Asset Reserve of Ohio (STAR Ohio), and common stock. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2011.

While common stock is not an allowable investment according to Ohio Statute, the City has received stock from the demutualization of the Anthem Insurance Company and as a donation from Wheeling Pittsburgh. No public funds were used to acquire this stock.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2011 amounted to \$15,942, which included \$9,999 assigned from other funds of the City.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City, are considered to be cash equivalents. Investments with maturities greater than three months at the time of purchase are reported as investments.

An analysis of the City's investment account at year-end is provided in Note 4.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$100 for all assets other than software, trees, street signs, and grants that require the reporting of all assets regardless of cost. The City’s infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. If interest is incurred during the construction of capital assets, it will be capitalized for the business-type activities.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Improvements Other Than Buildings	7-20 years	7-20 years
Buildings	50 years	50 years
Equipment	3-20 years	3-20 years
Vehicles	5 years	5 years
Infrastructure	50-75 years	-
Water and Sewer Lines	-	50 years

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.

Sick leave benefits are accrued as 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 sick liability is reported after an employee becomes eligible to retire and has ten years of continuous service with the City.

The City records a liability for accumulated unused comp and vacation time at year end for all employees eligible to receive comp and vacation. Department heads do not receive payment for comp time.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

M. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS.

N. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Police Department assets acquired through the trust funds are restricted to law enforcement use.

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

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and storm water programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the City.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Prior Period Adjustments

A prior period adjustment is required to restate net assets at January 1, 2011 due to errors and omissions reported in the prior year related to capital assets (see Note 9 for detail). The restatement had the following effect on net assets/fund balances previously stated at December 31, 2010.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net assets at December 31, 2010	\$ 16,735,605	\$ 18,234,481
Prior period adjustments	<u>70,146</u>	<u>4,958</u>
Net assets, restated at January 1, 2011	<u>\$ 16,805,751</u>	<u>\$ 18,239,439</u>

Enterprise Funds:	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Net assets at December 31, 2010	\$ 7,038,390	\$ 5,099,763	\$ 6,096,328	\$ 18,234,481
Prior period adjustments	<u>361</u>	<u>2,687</u>	<u>1,910</u>	<u>4,958</u>
Restated net assets at January 1, 2011	<u>\$ 7,038,751</u>	<u>\$ 5,102,450</u>	<u>\$ 6,098,238</u>	<u>\$ 18,239,439</u>

A prior period adjustment is required to restate fund balance at January 1, 2011 due a revenue correction from the Red Gate Operating Fund to the General Fund for gas well royalties. The Fair Park Trust Fund was also reclassified from a Permanent Fund to a Special Revenue Fund with the implementation of GASB 54. This transaction occurred within the non-major funds. The restatement had the following effect on fund balances previously stated at December 31, 2010.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Governmental Funds:	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Red Gate Debt Retirement</u>	<u>N Broad St Safety Upgrade Phase 1</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balance at December 31, 2010	\$ 2,026,720	\$ 1,076,429	\$ -	\$ -	\$ 902,705	\$ 4,005,854
Fund Reclassification: Red Gate Debt Retirement Fund From a Nonmajor Fund to a Major Fund	-	-	124,461	-	(124,461)	-
Prior period adjustment:	3,157	-	-	-	(3,157)	-
Fund Reclassification: Fair Park Trust Fund From a Permanent Fund to a Special Revenue Fund	-	-	-	-	(78,494) 78,494	(78,494) 78,494
Restated fund balance at January 1, 2011	<u>\$ 2,029,877</u>	<u>\$ 1,076,429</u>	<u>\$ 124,461</u>	<u>\$ -</u>	<u>\$ 775,087</u>	<u>\$ 4,005,854</u>

The January 1, 2011 unencumbered fund balance of the general fund has been restated on the statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) from \$737,656 to \$740,592.

C. Deficit Fund Balance

Fund balance at December 31, 2011 included the following individual fund deficit:

<u>Non-Major Fund</u>	<u>Deficit</u>
OVI Task Force Grant Fund	\$ 37,254

This fund complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance results from expenditures for grant funds that are required to be spent to be eligible to apply to receive the grant revenues.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash and Cash Equivalents." Statutes require the classification of monies held by the City into three categories:

Active Monies: those monies required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such monies must by law be maintained either as cash in the City treasury; in depository accounts payable or withdrawable on demand; including negotiable order of withdrawal (NOW) account; or in money market deposit accounts.

Inactive Monies: those monies not required for use within the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies: 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit accounts including passbook accounts.

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 or 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 must exceed 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 items (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)

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

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

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.

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.

A. Deposits with Financial Institutions

At December 31, 2011, the carrying amount of all City deposits was \$(362,321), exclusive of the \$6,694,222 in repurchase agreements included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of City's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, the City's entire bank balance of \$54,683 was covered by FDIC.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)

B. Investments

As of December 31, 2011 the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Anthem Stock	\$ 334,630	\$ -
Wheeling Pittsburgh Stock	2,854	-
Repurchase Agreements	6,354,811	6,354,811
STAR Ohio	<u>1,927</u>	<u>1,927</u>
Total	<u>\$ 6,694,222</u>	<u>\$ 6,356,738</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City's federal agency securities that underlie the repurchase agreement were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$6,354,811 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Anthem Stock	\$ 334,630	5.00%
Wheeling Pittsburgh Stock	2,854	0.04%
Repurchase Agreements	6,354,811	94.93%
STAR Ohio	<u>1,927</u>	<u>0.03%</u>
Total	<u>\$ 6,694,222</u>	<u>100.00%</u>

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2011:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ (362,321)
Investments	<u>6,694,222</u>
Total	<u>\$ 6,331,901</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,378,871
Business type activities	2,881,792
Private purpose trust funds	27,855
Agency funds	<u>43,383</u>
Total	<u>\$ 6,331,901</u>

NOTE 5 - INTERFUNDS

A. Interfund transfers for the year ended December 31, 2011, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental Funds from the General Fund	\$ 143,201
Transfer to N Broad St Safety Upgrade Fund from the Street C M & R Fund	150,750
Transfer to Nonmajor Governmental Funds from the Street C M & R Fund	63,200
Transfer to Red Gate Debt Retirement Fund from the GO Debt Retirement Fund	<u>20,844</u>
Total Transfers	<u>\$ 377,995</u>
Transfer of General Capital Assets to Enterprise Funds From the Capital Projects Funds	\$ (23,979)
Transfer of General Capital Assets to Parks Fund From the NE Storm Water Management Fund	<u>25,505</u>
Total Transfer of Capital Assets	<u>\$ 1,526</u>
Total Transfers	<u>\$ 379,521</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) transfer assets purchased by governmental funds to enterprise funds.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - INTERFUNDS - (Continued)

B. Interfund loans consisted of the following at December 31, 2011, as reported on the fund financial statements.

Receivable Fund	Payable Fund	Amount
General	N Broad St Safety Upgrade Fund - Phase 1	\$ 655,000
General	OVI Task Force Grant Fund	90,000
General	Storm Water Enterprise Fund	140,000
		\$ 885,000

These balances resulted from the lag time between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Canfield. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2011 was \$3.00 per \$1,000 of assessed value. The assessed values of real property upon which 2011 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 172,041,510
Commercial/Industrial/Mineral	27,033,090
<u>Public Utility</u>	
Real	<u>2,933,400</u>
Total Assessed Value	<u>\$ 202,008,000</u>

NOTE 7 - LOCAL INCOME TAX

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

Resident - 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 and 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-Resident - 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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8 - RECEIVABLES

Receivables at December 31, 2011, consisted of taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2011.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Income taxes	\$ 681,281
Real and other taxes	559,159
Special assessments	19,269
Accounts	117,817
Due from other governments	561,579

Business-type Activities:

Accounts	743,072
Due from other governments	162,510

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment. The special assessments are for street lighting which is billed and paid every year. The payment is behind by one year, similar to real and other taxes.

NOTE 9 - CAPITAL ASSETS

A. The capital asset balances of the governmental activities have been restated to correct certain errors and omissions reported in the prior year. The restated amounts are as follows:

<u>Governmental Activities:</u>	Balance <u>12/31/2010</u>	<u>Adjustments</u>	Restated Balance <u>01/01/2011</u>
Land	\$ 2,130,272	\$ 238,679	\$ 2,368,951
Construction in progress	365,525	(237,007)	128,518
Buildings	3,324,059	-	3,324,059
Land improvements	71,639	-	71,639
Equipment	3,490,287	(109,324)	3,380,963
Infrastructure	14,347,731	1,184	14,348,915
Less: accumulated depreciation	<u>(10,306,295)</u>	<u>176,614</u>	<u>(10,129,681)</u>
Total	<u>\$ 13,423,218</u>	<u>\$ 70,146</u>	<u>\$ 13,493,364</u>

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 9 - CAPITAL ASSETS - (Continued)

Capital asset activity for governmental activities for the year ended December 31, 2011, was as follows:

<u>Governmental Activities:</u>	(Restated) Balance 01/01/2011	Additions	Disposals	Balance 12/31/2011
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,368,951	\$ 8,154	\$ (64,506)	\$ 2,312,599
Construction in progress	128,518	137,747	(115,171)	151,094
Total capital assets, not being depreciated	<u>2,497,469</u>	<u>145,901</u>	<u>(179,677)</u>	<u>2,463,693</u>
<i>Capital assets, being depreciated:</i>				
Buildings	3,324,059	2,783	(213,000)	3,113,842
Land improvements	71,639	795	-	72,434
Equipment	3,380,963	504,693	(209,082)	3,676,574
Infrastructure	14,348,915	95,534	-	14,444,449
Total capital assets, being depreciated	<u>21,125,576</u>	<u>603,805</u>	<u>(422,082)</u>	<u>21,307,299</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(1,828,000)	(61,353)	31,775	(1,857,578)
Land improvements	(33,754)	(2,619)	-	(36,373)
Equipment	(2,180,129)	(204,941)	170,863	(2,214,207)
Infrastructure	(6,087,798)	(250,487)	-	(6,338,285)
Total accumulated depreciation	<u>(10,129,681)</u>	<u>(519,400)</u>	<u>202,638</u>	<u>(10,446,443)</u>
Total capital assets, being depreciated, net	<u>10,995,895</u>	<u>84,405</u>	<u>(219,444)</u>	<u>10,860,856</u>
Governmental activities capital assets, net	<u>\$ 13,493,364</u>	<u>\$ 230,306</u>	<u>\$ (399,121)</u>	<u>\$ 13,324,549</u>

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General Government	\$ 79,654
Security of Persons and Property	136,792
Public Health and Welfare	3,206
Leisure Time Activities	15,508
Community Environment	1,536
Transportation	<u>282,704</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 519,400</u>

- B. The capital asset balances of the business-type activities have been restated to correct certain errors and omissions reported in the prior year. Capital assets were imported into the City's new computer software which re-added balances and recalculated depreciation from the existing spreadsheets.

	Balance		Restated
<u>Business-Type Activities:</u>	<u>12/31/2010</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>01/01/2011</u>
Land	\$ 21,297	\$ -	\$ 21,297
Construction in progress	895,664	(1,672)	893,992
Buildings	1,547,674	-	1,547,674
Equipment	461,787	(22,558)	439,229
Infrastructure	21,521,660	3,176	21,524,836
Less: accumulated depreciation	<u>(9,527,671)</u>	<u>26,012</u>	<u>(9,501,659)</u>
Total	<u>\$ 14,920,411</u>	<u>\$ 4,958</u>	<u>\$ 14,925,369</u>

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 9 - CAPITAL ASSETS - (Continued)

Capital asset activity for business-type activities for the year ended December 31, 2011, was as follows:

<u>Business-type Activities:</u>	(Restated) Balance 1/1/2011	Additions	Disposals	Balance 12/31/2011
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,297	\$ -	\$ -	\$ 21,297
Construction in progress	893,992	811,381	(620,280)	1,085,093
Total capital assets, not being depreciated	<u>915,289</u>	<u>811,381</u>	<u>(620,280)</u>	<u>1,106,390</u>
<i>Capital assets, being depreciated:</i>				
Buildings	1,547,674	-	-	1,547,674
Equipment	439,229	92,324	(25,489)	506,064
Infrastructure	21,524,836	860,935	-	22,385,771
Total capital assets, being depreciated	<u>23,511,739</u>	<u>953,259</u>	<u>(25,489)</u>	<u>24,439,509</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(631,111)	(30,977)	-	(662,088)
Equipment	(334,958)	(29,347)	25,489	(338,816)
Infrastructure	(8,535,590)	(434,006)	-	(8,969,596)
Total accumulated depreciation	<u>(9,501,659)</u>	<u>(494,330)</u>	<u>25,489</u>	<u>(9,970,500)</u>
Total capital assets, being depreciated, net	<u>14,010,080</u>	<u>458,929</u>	<u>-</u>	<u>14,469,009</u>
Business-type activities capital assets, net	<u>\$ 14,925,369</u>	<u>\$ 1,270,310</u>	<u>\$ (620,280)</u>	<u>\$ 15,575,399</u>

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Business-type activities:

Water	\$ 218,038
Sewer	135,959
Storm	<u>140,333</u>
Total depreciation expense - business-type activities	<u>\$ 494,330</u>

NOTE 10 - VACATION AND SICK LEAVE LIABILITY

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 a rate of ten (10) hours per month. Sick leave accrual is continuous, up to 2,000 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 the maximum of 500 hours. As of December 31, 2011, the liability for unpaid compensated absences was \$186,605 for the entire City.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 11 - LONG-TERM OBLIGATIONS

A. During 2011, the following activity occurred in governmental activities long-term obligations:

Governmental Activities:	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Balance 01/01/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2011</u>	<u>Amounts Due in One Year</u>
<u>OPWC Loans:</u>							
Brookpark Storm Water Imp.	1994	0.00%	\$ 9,549	\$ -	\$ (2,728)	\$ 6,821	\$ 2,728
Hillside Storm Water Imp	1994	0.00%	23,616	-	(7,872)	15,744	7,872
Court St. Area Storm Water Imp.	2000	0.00%	<u>136,025</u>	<u>-</u>	<u>(14,319)</u>	<u>121,706</u>	<u>14,319</u>
Total OPWC Loans			<u>169,190</u>	<u>-</u>	<u>(24,919)</u>	<u>144,271</u>	<u>24,919</u>
<u>General Obligation Bonds:</u>							
Red Gate Land Acquisition	2006	4.92%	1,150,000	-	(1,150,000)	-	-
Red Gate Land Acquisition	2011	3.60%	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>127,686</u>
Total G.O. Bonds			<u>1,150,000</u>	<u>1,000,000</u>	<u>(1,150,000)</u>	<u>1,000,000</u>	<u>127,686</u>
<u>Other Long-Term Obligations:</u>							
Compensated Absences			<u>162,610</u>	<u>152,587</u>	<u>(143,216)</u>	<u>171,981</u>	<u>124,725</u>
Total governmental activities long-term obligations			<u>\$ 1,481,800</u>	<u>\$ 1,152,587</u>	<u>\$(1,318,135)</u>	<u>\$ 1,316,252</u>	<u>\$ 277,330</u>

Compensated absences reported in the statement of net assets will be paid from the fund from which the employee's salaries are paid. Property taxes are used to pay the GO bonds and OPWC loans in the Governmental Funds.

The following is the summary of the City's future annual debt service and interest requirements for governmental fund obligations:

<u>Year Ending December 31,</u>	<u>OPWC Loans</u>			<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 24,919	\$ -	\$ 24,919	\$ 127,686	\$ 34,853	\$ 162,539
2013	24,919	-	24,919	132,514	30,025	162,539
2014	15,683	-	15,683	137,417	25,122	162,539
2015	14,318	-	14,318	142,502	20,037	162,539
2016	14,318	-	14,318	147,728	14,811	162,539
2017 - 2020	<u>50,114</u>	<u>-</u>	<u>50,114</u>	<u>312,153</u>	<u>12,925</u>	<u>325,078</u>
	<u>\$ 144,271</u>	<u>\$ -</u>	<u>\$ 144,271</u>	<u>\$ 1,000,000</u>	<u>\$ 137,773</u>	<u>\$ 1,137,773</u>

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. During the fiscal year 2011, the following activity occurred in the City's business-type long-term liabilities:

Business-Type Activities	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Balance 1/1/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2011</u>	<u>Amounts Due in One Year</u>
<u>OPWC Loans:</u>							
Sawmill Sanitary Main Replacement	2002	0.00%	\$ 189,122	\$ -	\$ (18,013)	\$ 171,109	\$ 18,012
Sawmill Sanitary Main Lining	2003	0.00%	<u>301,007</u>	<u>-</u>	<u>(23,153)</u>	<u>277,854</u>	<u>23,154</u>
Total OPWC Loans			<u>490,129</u>	<u>-</u>	<u>(41,166)</u>	<u>448,963</u>	<u>41,166</u>
<u>Other Long-Term Obligations:</u>							
Compensated absences			<u>13,803</u>	<u>15,793</u>	<u>(14,972)</u>	<u>14,624</u>	<u>14,624</u>
Total business-type activities long-term obligations			<u>\$ 503,932</u>	<u>\$ 15,793</u>	<u>\$ (56,138)</u>	<u>\$ 463,587</u>	<u>\$ 55,790</u>

User charges and impact fees are used to pay the OPWC Loans reported in the enterprise funds.

The following is the summary of the City's future annual debt service and interest requirements for business-type activities obligations:

<u>Year Ending December 31,</u>	<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 41,166	\$ -	\$ 41,166
2013	41,166	-	41,166
2014	41,166	-	41,166
2015	41,166	-	41,166
2016	41,166	-	41,166
2017 - 2021	196,824	-	196,824
2022 - 2023	<u>46,309</u>	<u>-</u>	<u>46,309</u>
	<u>\$ 448,963</u>	<u>\$ -</u>	<u>\$ 448,963</u>

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2011, the City's total debt margin was \$20,363,517 and the unvoted debt margin was \$10,263,117.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011, the City contracted with several companies for various types of insurance as follows:

City of Canfield Insurance Policies:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Argonaut Insurance Company	General Liability	None
	Umbrella Liability	None
	General Property Insurance	500
	Commercial Inland Marine	500
	Commercial Property	1,000
	Commercial Automobile-Comprehensive	1,000
	Commercial Automobile-Collision	1,000
	Commercial Automobile-Liability	None
	Employment Practices Liability	10,000
	Law Enforcement Liability	10,000
	Public Officials Liability	10,000
Western Surety/ State Auto Insurance Company	Bond- Employee & Officials	None

No settlements exceeded the insurance coverage in the last three years. There has been no significant reduction in coverage from the prior year.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. The 2011 member contribution rates were 10.00% for members. The City's contribution rate for 2011 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$187,166, \$175,430, and \$179,779, respectively; 91.53% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$4,456 made by the City and \$3,183 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - 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 statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% for police officers. Contribution rates are established by State statute. For 2011, the portion of the City's contributions to fund pension obligations was 12.75% for police officers. The City's required contributions for pension obligations to OP&F for the years ended December 31, 2011, 2010, and 2009 were \$192,923, \$188,210, and \$178,457, respectively. The full amount has been contributed for 2010 and 2009. 70.45% has been contributed for 2011.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$53,149, \$63,412, and \$75,347, respectively; 91.53% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

CITY OF CANFIELD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

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

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

CITY OF CANFIELD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers for the years ended December 31, 2011, 2010, and 2009 were \$66,790, \$65,150, and \$61,746, respectively. The full amount has been contributed for 2010 and 2009. 70.45% has been contributed for 2011.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the General Fund and Major Special Revenue Fund.

CITY OF CANFIELD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net Change in Fund Balance

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>
Budget basis	\$ (926,958)	\$ (182,826)
Net adjustment for revenue accruals	72,006	(29,284)
Net adjustment for expenditure accruals	(44,821)	75,183
Net adjustment for other sources/uses	446,680	-
Adjustment for encumbrances	<u>301,232</u>	<u>15,125</u>
GAAP basis	<u>\$ (151,861)</u>	<u>\$ (121,802)</u>

NOTE 16 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2011.

B. Litigation

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

CITY OF CANFIELD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 17 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Street Construction, Maintenance and Repair	Red Gate Retirement	N. Broad St. Safety Upgrade	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepays	\$ 42,155	\$ 6,203	\$ -	\$ -	\$ 2,334	\$ 50,692
Unclaimed Monies	2,259	-	-	-	-	2,259
Permanent fund	-	-	-	-	72,400	72,400
Total nonspendable	44,414	6,203	-	-	74,734	125,351
Restricted:						
General government	-	-	-	-	17,384	17,384
Security of persons and property	-	-	-	-	81,149	81,149
Leisure time activities	-	-	-	-	123,507	123,507
Transportation	-	948,287	-	-	109,042	1,057,329
Capital outlay	-	137	-	43,235	39,200	82,572
Debt Service	-	-	90,396	-	62,282	152,678
Total restricted	-	948,424	90,396	43,235	432,564	1,514,619
Committed:						
General government	7,443	-	-	-	99,111	106,554
Leisure time activities	-	-	-	-	292,069	292,069
Total committed	7,443	-	-	-	391,180	398,623
Assigned:						
General government	16,419	-	-	-	-	16,419
Security of persons and property	18,155	-	-	-	-	18,155
Capital outlay	16,822	-	-	-	21,643	38,465
Total assigned	51,396	-	-	-	21,643	73,039
Unassigned (deficit)	1,774,763	-	-	-	(37,254)	1,737,509
Total fund balances	\$ 1,878,016	\$ 954,627	\$ 90,396	\$ 43,235	\$ 882,867	\$ 3,849,141

CITY OF CANFIELD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 18 - LAND LEASE AGREEMENTS

In fiscal year 1993, the City entered into a land lease for the use of land from the Canfield Board of Education for the operation, maintenance, and repair of a water storage tank. The term of the lease is 99 years commencing May 1, 1993 and ending April 30, 2092, unless otherwise terminated or extended as permitted by the agreement. The City shall pay Canfield Board of Education \$3,000 annually with adjustments based on the consumer price index every ten years. The current payment is \$3,000. The Canfield Board of Education retains title to the property.

In fiscal year 1995, the City entered into a land lease agreement for the use of land from the Consolidated Rail Corporation for the location and maintenance of a sanitary sewer pipe. The term of the lease commenced on December 1, 1995, and ends 90 days from the notice of either party. This land was subsequently acquired by the Mill Creek Metropolitan Park District. The lease agreement continues. The City shall pay the Mill Creek Metropolitan Park District \$2,000 annually with annual adjustments based on the consumer price index. The current payment is \$2,000. The Mill Creek Metropolitan Park District retains title to the property.

In fiscal year 2000, the City entered into a land lease agreement for the use of land from the Mill Creek Metropolitan Park District for the location and maintenance of a sanitary sewer pipe. The term of the lease is 40 years commencing January 12, 2000, unless otherwise terminated or extended as permitted by the agreement. The City shall pay the Mill Creek Metropolitan Park District \$2,000 annually through 2004, with adjustments thereafter as provided in the agreement. The Mill Creek Metropolitan Park District retains title to the property.

NOTE 19 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 58,839
Street Construction, Maintenance and Repair	176
Red Gate Debt Retirement	-
Other Governmental	<u>696,456</u>
Total	<u>\$ 755,471</u>



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 31, 2014, wherein we noted the City implemented Government Accounting Standard No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We intend this report solely for the information and use of management, the Members of Council, Mayor, audit committee, others within the City. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2014



Dave Yost • Auditor of State

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
APRIL 1, 2014**