



**Mary Taylor, CPA**  
Auditor of State



**CITY OF CANAL FULTON  
STARK COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Canal Fulton  
Stark County  
155 East Market Street, Suite A  
Canal Fulton, Ohio 44614

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 Canal Fulton, Stark County, Ohio, (the City) as of and for the year ended December 31, 2008, 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 Canal Fulton, Stark County, Ohio, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Police, and Fire/EMS Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, net assets at January 1, 2008 were restated due to formula errors within the detail capital assets records of the Water and Sewer funds and the Governmental Activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2009, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

July 31, 2009

**City of Canal Fulton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

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The discussion and analysis for the City of Canal Fulton's (the City) financial statements provide an overall review of the financial activity of the City for the twelve months ended December 31, 2008. The intent of this discussion is to provide a narrative that describes the City's performance as a whole. To obtain a more detailed understanding, one should also review the basic financial statements and the notes to the basic financial statements.

**Financial Highlights**

Financial highlights for 2008 are as follows:

- Total Net Assets decreased \$469,381. This was the result of a decrease in the Net Assets of business-type activities of \$1,063,552, due to a special item of \$893,775.
- Total Assets of Governmental Activities increased \$381,066 or 3.0 percent above the 2007 level.
- Total Assets of Business-type Activities decreased \$1,290,629 for a 11.7 percent decrease from the prior year.
- Total Liabilities of Governmental Activities decreased \$213,105. This is a decrease of 7.3 percent from the previous year.
- Total Outstanding Debt decreased \$377,337 or 7.5 percent during 2008.

**Using this Annual Financial Report**

This report consists of a series of financial statements and notes to those statements. These statements are prepared and organized in a manner that allows the reader to look at the financial activities of the City of Canal Fulton as a whole and also allows the reader to obtain a more detailed view of the City's operations, if they prefer.

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2008 and how they effected the operations of the City as a whole.

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 dollars remain 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 of Canal Fulton as a Whole***

*Statement of Net Assets and Statement of Activities*

The Statement of Net Assets and the Statement of Activities provide summary information concerning the financial position and operations of the City as an entity. They provide a good resource for an overall evaluation of the City's financial performance. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. This method takes into account all revenues when they are earned and all expenses when they are incurred. These transactions are booked when they occur and not when the actual cash is received for revenues or when invoices are paid for expenses.

**City of Canal Fulton, Ohio**  
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These two statements report the City's net assets and changes in those assets. The change in net assets is important since it is an indication of whether the financial position of the City is improving or declining. However, to properly evaluate the operation of the City, certain non-cash items should be taken into consideration. These items would include the current economic situation as a whole, the current tax base for the City and the age and condition of the City's buildings and infrastructure.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two major activities:

Governmental Activities – Most of the City's programs and services are reported here including, general government, police, fire, transportation and leisure time activities.

Business-Type Activities – These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The City's business-type activities are water and sewer.

***Reporting on the Most Significant Funds of the City of Canal Fulton***

*Fund Financial Statements*

The analysis of the City's major funds begins on page 9. Fund financial reports give a detailed report of the activities within the funds. The City currently has eighteen funds, as presented in this report. These funds are in existence to provide a multitude of services to the citizens of Canal Fulton. Some funds provide for streets, police, fire and emergency medical service protection, capital improvements, water service and sewer service. Some also provide for the purchase of capital assets, while others provide for the payment of principal and interest on debt. Each fund is in some ways an entity unto itself. Each fund, other than the General fund, has a designated revenue stream and restricted uses for the monies within the fund.

In this report, the focus is on seven major funds, the general fund, the police fund, the fire/EMS fund, the downtown improvement fund, the general capital projects fund, the water fund and the sewer fund.

***Governmental Funds*** All of the City's major activities (excluding the Utility Department) are reported in the governmental funds. This report shows how monies flow into and out of these funds and also shows what balances are available for future expenditures. The accounting method used to report this activity is the modified accrual method. This method reports cash and like-cash items that can be converted into cash. This shows what level of financial resources are available or will be available to provide the services that the general government will provide in the near future. These services include police, fire and emergency medical service protection, as well as improving and maintaining the City's streets. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds is reconciled in the financial statements.

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities. The City of Canal Fulton has two enterprise operations under the proprietary classification. They are the water fund and the sewer fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Canal Fulton's own programs.



**City of Canal Fulton, Ohio**  
*Management's Discussion and Analysis*  
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**The City of Canal Fulton as a Whole**

The Statement of Net Assets provides an overall view of the City. Table 1 shows a summary of the City's net assets for 2008 as they compare to 2007.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	Restated 2007	2008	Restated 2007	2008	Restated 2007
<b>Assets</b>						
Current and Other Assets	\$2,376,652	\$2,160,037	\$1,112,686	\$2,313,463	\$3,489,338	\$4,473,500
Capital Assets, Net	10,773,053	10,608,602	8,628,738	8,718,590	19,401,791	19,327,192
<i>Total Assets</i>	<u>13,149,705</u>	<u>12,768,639</u>	<u>9,741,424</u>	<u>11,032,053</u>	<u>22,891,129</u>	<u>23,800,692</u>
<b>Liabilities</b>						
Current Liabilities	1,121,419	627,682	106,888	105,716	1,228,307	733,398
Long-Term Liabilities:						
Due Within One Year	113,787	716,935	278,642	267,567	392,429	984,502
Due in More Than One Year	1,467,208	1,570,902	2,295,486	2,534,810	3,762,694	4,105,712
<i>Total Liabilities</i>	<u>2,702,414</u>	<u>2,915,519</u>	<u>2,681,016</u>	<u>2,908,093</u>	<u>5,383,430</u>	<u>5,823,612</u>
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	8,658,572	8,373,047	6,132,427	5,956,444	14,790,999	14,329,491
Restricted for:						
Capital Projects	401,786	453,021	0	0	401,786	453,021
Debt Service	99,416	62,738	0	0	99,416	62,738
Street Repair and Maintenance	301,756	188,663	0	0	301,756	188,663
Police Protection	46,508	14,310	0	0	46,508	14,310
Other Purposes	80,910	27,153	0	0	80,910	27,153
Unrestricted	858,343	734,188	927,981	2,167,516	1,786,324	2,901,704
<i>Total Net Assets</i>	<u>\$10,447,291</u>	<u>\$9,853,120</u>	<u>\$7,060,408</u>	<u>\$8,123,960</u>	<u>\$17,507,699</u>	<u>\$17,977,080</u>

Total assets decreased in 2008 by \$909,563. This decrease was the result of a decrease in current assets, due to a reduction in intergovernmental receivable, related to the special item discussed below. This decrease was partially offset by an increase in capital assets of \$74,599. The increase in capital assets is mainly due to the completion of the fire station, partially offset by annual depreciation.

Total liabilities decreased by \$440,182 in 2008. The total liabilities of governmental activities decreased by \$213,105 while the liabilities of the business-type activities decreased by \$227,077. The decreases are due to the retirement of debt.

**City of Canal Fulton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

Table 2 shows the changes in net assets for the year ended December 31, 2008 for both our Governmental activities and our Business-Type activities. In 2008, the City had a special item related to an agreement with the Northwest Local School District. In prior years, the City held a receivable due to the School District repaying the City's cost to provide waterlines to the School District. In 2008, the City annexed the land where the waterlines are located and will no longer require the School District to pay for the waterlines. The decrease in expected revenue is disclosed as a special item.

**Table 2**  
**Change in Net Assets**

	Governmental Activities		Business - Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$104,748	\$205,235	\$1,376,336	\$1,423,958	\$1,481,084	\$1,629,193
Operating Grants and Contributions	400,100	324,196	0	0	400,100	324,196
Capital Grants and Contributions	0	334,529	0	0	0	334,529
<b>Total Program Revenues</b>	<b>504,848</b>	<b>863,960</b>	<b>1,376,336</b>	<b>1,423,958</b>	<b>1,881,184</b>	<b>2,287,918</b>
General Revenues:						
Property Taxes	468,988	493,254	0	0	468,988	493,254
Income Taxes	1,853,268	1,493,572	0	0	1,853,268	1,493,572
Grants and Entitlements	393,107	302,301	0	0	393,107	302,301
Interest	40,471	168,336	0	255	40,471	168,591
Other	94,351	9,895	3,388	6,442	97,739	16,337
<b>Total General Revenues</b>	<b>2,850,185</b>	<b>2,467,358</b>	<b>3,388</b>	<b>6,697</b>	<b>2,853,573</b>	<b>2,474,055</b>
<b>Total Revenues</b>	<b>3,355,033</b>	<b>3,331,318</b>	<b>1,379,724</b>	<b>1,430,655</b>	<b>4,734,757</b>	<b>4,761,973</b>
<b>Program Expenses</b>						
General Government	643,930	699,134	0	0	643,930	699,134
Security of Persons and Property	1,421,490	1,209,811			1,421,490	1,209,811
Transportation	431,528	303,953	0	0	431,528	303,953
Leisure Time Activities	62,259	51,362	0	0	62,259	51,362
Interest and Fiscal Charges	93,956	116,301	0	0	93,956	116,301
Water	0	0	798,077	726,968	798,077	726,968
Sewer	0	0	859,123	712,631	859,123	712,631
<b>Total Program Expenses</b>	<b>2,653,163</b>	<b>2,380,561</b>	<b>1,657,200</b>	<b>1,439,599</b>	<b>4,310,363</b>	<b>3,820,160</b>
Increase/(Decrease) in Net Assets						
Before Special Items and Transfers	701,870	950,757	(277,476)	(8,944)	424,394	941,813
Special Item	0	0	(893,775)	0	(893,775)	0
Transfers	(107,699)	0	107,699	0	0	0
Increase/(Decrease) in Net Assets	594,171	950,757	(1,063,552)	(8,944)	(469,381)	941,813
Net Assets Beginning of Year (Restated)	9,853,120	8,902,363	8,123,960	8,132,904	17,977,080	17,035,267
<b>Net Assets End of Year</b>	<b>\$10,447,291</b>	<b>\$9,853,120</b>	<b>\$7,060,408</b>	<b>\$8,123,960</b>	<b>\$17,507,699</b>	<b>\$17,977,080</b>

**City of Canal Fulton, Ohio**  
*Management's Discussion and Analysis*  
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***Governmental Activities***

The funding for governmental activities comes from several different sources, the most significant being the City's municipal income tax. Other prominent sources are property taxes, intergovernmental revenue, charges for services, and interest.

The City's income tax was established to be effective January 1, 1984 at a rate of 0.50 percent. This rate was later increased to .75 percent effective January 1, 1996 and further increased to 1.00 percent effective January 1, 2001. In the November, 2004 election, the voters of Canal Fulton elected to increase the income tax rate to 1.10 percent effective January 1, 2005. Lastly, effective on January 1, 2007 the income tax rate moved from the previous 1.10 percent to 1.5 percent. Also, on January 1, 2003, the City allowed a 50 percent credit of the City's income tax rate for taxes paid to other political subdivisions in Ohio. On a full accrual basis, the City received income tax revenue of \$1,853,268.

The operations of the City's police and fire departments accounts for the largest expenses of the governmental activities, representing 53.6 percent of the total governmental activities expenses. The City's police department is a full-time 24-hour a day, 365-days a year department, with a full-time chief and 7 patrolmen. The fire department is staffed by part-time volunteer firefighters. The police and fire departments each received a 1.00 mill property tax levy. The remaining amount that is needed to operate the police department is subsidized by the general fund and income tax revenue.

***Business-Type Activities***

The City operates a Utility Department that consists of water and sewer services. The water utility includes water administration, a water treatment plant and water distribution.

The water utility services 2,060 customers which include residents of the City as well as outside-City customers. The City's water rates are \$2.15 per thousand gallons for inside City residential customers and \$5.37 per thousand gallons for outside City residential customers.

The City's water treatment plant treats an average of 435,000 gallons of water per day with a capacity to treat an additional 400,000 per day. The raw water is supplied by five wells throughout the City. The water treatment plant was built in 1989.

The City provides sewer treatment services. The City owns and maintains sewer lines throughout the City. The City charges residential customers a minimum rate of \$13.13 and then \$2.68 for each additional 1,000 gallons. For customers who pay sewer only, these residents pay a flat rate of \$21.14. As of December 31, 2008, the City had 45 of these accounts.

The revenues and expenses for both of these utilities are reported under the Business-type Activities in Table 2. The majority of revenues are derived from charges for services. In 2008, revenues of \$1,379,724 were less than the total expenses for the utilities of \$1,657,200, resulting in a loss before transfers of \$277,476 for the Business-type Activities.

**City of Canal Fulton, Ohio**  
*Management's Discussion and Analysis*  
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**The City's Funds**

Information about the City's governmental funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$3,204,811 and expenditures of \$3,520,581. The City's general fund reflected a decrease in fund balance of \$514,730 and carries forward a deficit ending fund balance of \$54,095. This deficit is due to the notes payable liability in this fund. Both the police and fire/ems funds had expenditures exceeding revenues and were subsidized by transfers from the general fund. In 2009, property tax in these two funds will be phased out and they will rely primarily on income taxes and transfers from the general fund.

Information about the proprietary funds starts on page 23. These funds are accounted for on an accrual basis. All business-type funds had operating revenues of \$1,379,724 and an operating loss of approximately \$208,116.

***Budgeting Highlights***

The City's budget is prepared according to the laws of the State of Ohio and is based on accounting for certain transactions on a cash basis for receipts, expenditures, and encumbrances. The most significant budgeted fund is the general fund. The legal level of budgetary control is at the personal services and individual object level within each department. Any budgetary modifications at this level may only be made by ordinance of City Council. During 2008, four supplemental appropriation measures were authorized by the City Council. Administrative control of the budget is maintained through the establishment of detailed line-item budgets. Intra-fund transfers within existing appropriations are contained in the annual appropriation measure and are permitted once the permanent appropriation measure has been passed by City Council.

Strong emphasis is placed on fund balances. The Finance Director reviews the fund balances on a daily basis. Special attention is paid to the City's largest funds, which are the General, Water and Sewer funds. Council receives a monthly report showing the beginning fund balance for all funds at the beginning of the year, monthly and year-to-date revenues, and the current fund balance.

Line item reports are reviewed regularly by the Finance Director. The department heads, as well as the City Manager, also monitor their appropriations to ensure the entire operation of the City operates within the appropriations.

For the General fund, original and final budgeted revenues were \$1,677,629 and \$631,274, respectively, and actual revenue collections were \$2,244,835. The decrease in budgeted revenue was due to conservative estimates of income tax revenue.

Also in the General fund, the original budgeted expenditures and final budgeted expenditures were \$847,006 and \$932,186, respectively. The actual expenditures were \$737,476. The City's ending unencumbered cash balance in the general fund was \$1,778,087 above the final budgeted amount.

**City of Canal Fulton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

**Capital Assets and Debt Administration**

*Capital Assets*

**Table 3**  
**Capital Assets at December 31**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$2,668,100	\$2,668,100	\$313,600	\$313,600	\$2,981,700	\$2,981,700
Construction in Progress	0	1,647,917	0	0	0	1,647,917
Buildings and Improvements	5,564,850	3,796,484	2,476,064	2,507,794	8,040,914	6,304,278
Equipment and Machinery	229,501	139,092	58,664	66,575	288,165	205,667
Vehicles	131,287	152,017	54,457	39,385	185,744	191,402
Infrastructure						
Roads	467,198	452,534	0	0	467,198	452,534
Storm Sewers	1,712,117	1,752,458	0	0	1,712,117	1,752,458
Water Lines	0	0	3,399,870	3,408,441	3,399,870	3,408,441
Sewer Lines	0	0	2,326,083	2,382,795	2,326,083	2,382,795
<b>Totals</b>	<b>\$10,773,053</b>	<b>\$10,608,602</b>	<b>\$8,628,738</b>	<b>\$8,718,590</b>	<b>\$19,401,791</b>	<b>\$19,327,192</b>

Total Capital Assets for the City of Canal Fulton for the year ended December 31, 2008 was \$19,401,791, which reflects an increase of \$74,599 from the 2007 ending balance of \$19,327,192. The primary cause for this increase in Capital Assets is due to the completion of the construction in progress; the new fire station. See Note 11 in the financial statements for more information regarding the City's capital assets.

*Debt*

The outstanding debt for the City as of December 31, 2008 was \$4,641,705. This balance reflected a decrease of \$377,337 from the previous year's balance of \$5,019,042, a decrease of 7.5 percent.

**Table 4**  
**Outstanding Debt at Year End**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$1,445,576	\$1,532,936	\$0	\$0	\$1,445,576	\$1,532,936
Water Bonds	0	0	1,079,337	1,237,869	1,079,337	1,237,869
Water Improvement Notes	0	0	0	0	0	0
OPWC Loan	0	0	1,437,060	1,545,618	1,437,060	1,545,618
Capital Lease	74,732	97,619	0	0	74,732	97,619
Bond Anticipation Notes	605,000	605,000	0	0	605,000	605,000
<b>Totals</b>	<b>\$2,125,308</b>	<b>\$2,235,555</b>	<b>\$2,516,397</b>	<b>\$2,783,487</b>	<b>\$4,641,705</b>	<b>\$5,019,042</b>

**City of Canal Fulton, Ohio**  
*Management's Discussion and Analysis*  
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The general obligation bonds are for the downtown improvement project and fire station construction. The downtown improvement bonds will be repaid in 2011 and the fire station bonds will be repaid in 2025. Property tax revenue and general revenues will be used to repay these bonds.

The water bonds in the Business-type activities include bonds for the construction and expansion of the wastewater treatment plant. This debt carries interest rates of 2.6 – 4.2 percent. User fees will pay this off over a period of 10 years. This bond will be retired in 2011. The water bonds category also includes a 20 year bond with interest rates of 3.0 – 4.5 percent. This bond will be retired in 2025 and is for the construction of a waterline to the Northwest Schools campus.

The Ohio Public Works Commission Loan (OPWC) is comprised of six separate, zero percent interest loans. The purpose of these loans are for the construction and improvement of various water and sewer projects, most notable is the Water Treatment Plant and Wellfield Expansion project. These loans will be repaid over a period of 20 years by user fees. The loans will be retired anywhere from 2015 to 2025.

See Notes 12 and 13 in the financial statements for more information regarding the City's debt.

### **Current Financial Issues**

Over the past fifteen years, income tax collections (on a cash basis) have increased from \$425,403 in 1993, to \$1,707,850 in 2008. This is largely attributed to the voter approved, four tenths of a percent increase that began in 2008. The Northwest Schools became the City's largest employer in June 2008 through an annexation. Our income tax collections are distributed to various funds in varying percentages, which are reviewed yearly at budget time by City Council. In 2008, most income tax collections were receipted into the general fund, which allows the City to be able to accomplish numerous projects throughout Canal Fulton without having to increase the debt burden of the City. The majority of the debt is for the City's water and sewer utilities, including bonds and 0 percent interest OPWC loans and will be repaid from user fees.

In 2008 construction started in a planned 40 unit residential area. A few houses have been sold and in the first quarter of 2009, despite a slow housing market, more units are in the development phase. A large block of farmland was surveyed and sold to developers in the fall of 2008. The new owners have requested zoning for residential development. These new parcels will eventually bring new commercial, industrial, business and residential opportunities into the City.

The City continues to make a conscious effort to keep operating expenditures within the previous year's levels. An example of this cost containing effort is utilizing a Student Works Program. These seasonal workers are involved in landscaping, painting, and lawn maintenance. A part time coordinator oversees this program as well as the community service program and directs the work force to accomplish many activities that benefit the City and its residents.

In 2008, the City administration has made it a priority to keep costs down by seeking competitive bids on liability, workers compensation, and hospitalization insurance. The City has implemented Ohio Workers Compensation alcohol and drug programs that have reduced our premiums.

**City of Canal Fulton, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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**Contacting the City's Finance Department**

This report is intended to provide our citizens and anyone interested in the financial aspects of the City of Canal Fulton a general overview of our financial operation. If there are any questions, please feel free to contact the Finance Director Scott M. Svab, City of Canal Fulton, 155 E. Market Street, Canal Fulton, Ohio 44614, telephone (330) 854-6761 or website at [www.cityofcanalfulton.org](http://www.cityofcanalfulton.org).

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**City of Canal Fulton, Ohio**

*Statement of Net Assets*

*December 31, 2008*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,266,689	\$971,039	\$2,237,728
Accounts Receivable	17,619	125,647	143,266
Intergovernmental Receivable	254,277	0	254,277
Materials and Supplies Inventory	9,760	0	9,760
Income Tax Receivable	463,383	0	463,383
Property Taxes Receivable	364,924	0	364,924
Deferred Charges	0	16,000	16,000
Nondepreciable Capital Assets	2,668,100	313,600	2,981,700
Depreciable Capital Assets, Net	8,104,953	8,315,138	16,420,091
<i>Total Assets</i>	<u>13,149,705</u>	<u>9,741,424</u>	<u>22,891,129</u>
<b>Liabilities</b>			
Accounts Payable	43,338	34,715	78,053
Accrued Wages	34,466	16,537	51,003
Intergovernmental Payable	78,073	31,923	109,996
Notes Payable	605,000	0	605,000
Deferred Revenue	342,895	0	342,895
Vacation Benefits Payable	8,931	6,581	15,512
Accrued Interest Payable	8,716	17,132	25,848
Long-Term Liabilities:			
Due Within One Year	113,787	278,642	392,429
Due In More Than One Year	1,467,208	2,295,486	3,762,694
<i>Total Liabilities</i>	<u>2,702,414</u>	<u>2,681,016</u>	<u>5,383,430</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	8,658,572	6,132,427	14,790,999
Restricted for:			
Capital Projects	401,786	0	401,786
Debt Service	99,416	0	99,416
Street Repair and Maintenance	301,756	0	301,756
Police Protection	46,508	0	46,508
Other Purposes	80,910	0	80,910
Unrestricted	858,343	927,981	1,786,324
<i>Total Net Assets</i>	<u>\$10,447,291</u>	<u>\$7,060,408</u>	<u>\$17,507,699</u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2008

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
General Government	\$643,930	\$23,478	\$178
Security of Persons and Property	1,421,490	70,672	30,595
Transportation	431,528	8,186	369,309
Leisure Time Activities	62,259	2,412	18
Interest and Fiscal Charges	93,956	0	0
<i>Total Governmental Activities</i>	<u>2,653,163</u>	<u>104,748</u>	<u>400,100</u>
<b>Business-Type Activities:</b>			
Water	798,077	648,315	0
Sewer	859,123	728,021	0
<i>Total Business-Type Activities</i>	<u>1,657,200</u>	<u>1,376,336</u>	<u>0</u>
<i>Total</i>	<u><u>\$4,310,363</u></u>	<u><u>\$1,481,084</u></u>	<u><u>\$400,100</u></u>

**General Revenues**

Property Taxes Levied for:

- General Purposes
- Law Enforcement
- Fire Protection
- Capital Outlay

Income Tax Levied for:

- General Purposes
- Law Enforcement

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

*Total General Revenues*

Special Item - Northwest Waterline Receivable Transfers

*Total General Revenues, Special Item and Transfers*

Change in Net Assets

*Net Assets Beginning of Year - Restated (See Note 3)*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$620,274)	\$0	(\$620,274)
(1,320,223)	0	(1,320,223)
(54,033)	0	(54,033)
(59,829)	0	(59,829)
(93,956)	0	(93,956)
(2,148,315)	0	(2,148,315)
0	(149,762)	(149,762)
0	(131,102)	(131,102)
0	(280,864)	(280,864)
(2,148,315)	(280,864)	(2,429,179)
210,737	0	210,737
61,601	0	61,601
61,601	0	61,601
135,049	0	135,049
1,702,376	0	1,702,376
150,892	0	150,892
393,107	0	393,107
40,471	0	40,471
94,351	3,388	97,739
2,850,185	3,388	2,853,573
0	(893,775)	(893,775)
(107,699)	107,699	0
2,742,486	(782,688)	1,959,798
594,171	(1,063,552)	(469,381)
9,853,120	8,123,960	17,977,080
<u>\$10,447,291</u>	<u>\$7,060,408</u>	<u>\$17,507,699</u>

**City of Canal Fulton, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2008*

	<u>General</u>	<u>Police</u>	<u>Fire/ EMS</u>	<u>Downtown Improvement</u>	<u>General Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>							
Equity in Pooled Cash and							
Cash Equivalents	\$404,784	\$56,315	\$101,403	\$108,231	\$226,452	\$369,504	\$1,266,689
Accounts Receivable	5,031	0	12,588	0	0	0	17,619
Interfund Receivable	3,756	0	0	0	0	0	3,756
Intergovernmental Receivable	101,626	2,210	0	0	8,179	142,262	254,277
Income Taxes Receivable	432,491	30,892	0	0	0	0	463,383
Property Taxes Receivable	224,471	2,885	2,885	0	134,683	0	364,924
Materials and Supplies Inventory	0	0	0	0	0	9,760	9,760
<i>Total Assets</i>	<u>\$1,172,159</u>	<u>\$92,302</u>	<u>\$116,876</u>	<u>\$108,231</u>	<u>\$369,314</u>	<u>\$521,526</u>	<u>\$2,380,408</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable	\$21,568	\$3,289	\$7,018	\$0	\$2,185	\$9,278	\$43,338
Accrued Wages	4,490	16,778	10,328	0	0	2,870	34,466
Intergovernmental Payable	11,305	40,894	20,620	0	0	5,254	78,073
Accrued Interest Payable	2,798	0	0	0	0	0	2,798
Notes Payable	605,000	0	0	0	0	0	605,000
Interfund Payable	0	0	0	0	0	3,756	3,756
Deferred Revenue	581,093	21,837	7,376	0	142,862	117,620	870,788
<i>Total Liabilities</i>	<u>1,226,254</u>	<u>82,798</u>	<u>45,342</u>	<u>0</u>	<u>145,047</u>	<u>138,778</u>	<u>1,638,219</u>
<b>Fund Balances</b>							
Reserved for Encumbrances	48,417	4,130	2,617	0	37,202	9,794	102,160
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	(102,512)	0	0	0	0	0	(102,512)
Special Revenue Funds	0	5,374	68,917	0	0	201,781	276,072
Debt Service Funds	0	0	0	108,231	0	16,339	124,570
Capital Projects Funds	0	0	0	0	187,065	154,834	341,899
<i>Total Fund Balances</i>	<u>(54,095)</u>	<u>9,504</u>	<u>71,534</u>	<u>108,231</u>	<u>224,267</u>	<u>382,748</u>	<u>742,189</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,172,159</u>	<u>\$92,302</u>	<u>\$116,876</u>	<u>\$108,231</u>	<u>\$369,314</u>	<u>\$521,526</u>	<u>\$2,380,408</u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2008*

<b>Total Governmental Fund Balances</b>	<b>\$742,189</b>
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,773,053
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:	
Property Taxes	22,029
Income Taxes	284,290
Grants	<u>221,574</u>
Total	527,893
Vacation benefits payable is a contractually required benefit not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(8,931)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(5,918)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(1,434,749)
Lease Payable	(74,732)
Bond Premium	(10,827)
Compensated Absences	<u>(60,687)</u>
Total	<u>(1,580,995)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$10,447,291</u></u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2008*

	General	Police	Fire/ EMS	Downtown Improvement	General Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Property Taxes	\$214,192	\$61,213	\$61,213	\$0	\$128,952	\$0	\$465,570
Income Taxes	1,669,799	131,940	0	0	0	0	1,801,739
Charges for Services	1,717	0	64,309	0	0	0	66,026
Fines, Licenses and Permits	24,768	2,192	0	0	0	4,171	31,131
Intergovernmental	344,090	14,061	13,236	0	16,655	298,206	686,248
Special Assessments	0	0	0	0	0	16,000	16,000
Interest	38,378	0	0	0	0	2,093	40,471
Contributions and Donations	200	225	0	0	0	2,850	3,275
Other	19,001	11,577	37,042	0	26,731	0	94,351
<i>Total Revenues</i>	<u>2,312,145</u>	<u>221,208</u>	<u>175,800</u>	<u>0</u>	<u>172,338</u>	<u>323,320</u>	<u>3,204,811</u>
<b>Expenditures</b>							
Current:							
General Government	600,410	0	0	0	0	0	600,410
Security of Persons and Property	0	818,613	446,653	0	0	12,046	1,277,312
Transportation	15,318	0	0	0	0	327,660	342,978
Leisure Time Activities	62,206	0	0	0	0	53	62,259
Capital Outlay	0	0	0	0	417,630	5,733	423,363
Debt Service:							
Principal Retirement	0	0	0	641,723	72,887	0	714,610
Interest and Fiscal Charges	441	0	0	57,445	41,763	0	99,649
<i>Total Expenditures</i>	<u>678,375</u>	<u>818,613</u>	<u>446,653</u>	<u>699,168</u>	<u>532,280</u>	<u>345,492</u>	<u>3,520,581</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,633,770</u>	<u>(597,405)</u>	<u>(270,853)</u>	<u>(699,168)</u>	<u>(359,942)</u>	<u>(22,172)</u>	<u>(315,770)</u>
<b>Other Financing Sources (Uses)</b>							
Transfers In	0	600,000	325,000	745,000	300,801	70,000	2,040,801
Transfers Out	<u>(2,148,500)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,148,500)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(2,148,500)</u>	<u>600,000</u>	<u>325,000</u>	<u>745,000</u>	<u>300,801</u>	<u>70,000</u>	<u>(107,699)</u>
<i>Net Change in Fund Balances</i>	(514,730)	2,595	54,147	45,832	(59,141)	47,828	(423,469)
<i>Fund Balances Beginning of Year</i>	<u>460,635</u>	<u>6,909</u>	<u>17,387</u>	<u>62,399</u>	<u>283,408</u>	<u>334,920</u>	<u>1,165,658</u>
<i>Fund Balances End of Year</i>	<u>(\$54,095)</u>	<u>\$9,504</u>	<u>\$71,534</u>	<u>\$108,231</u>	<u>\$224,267</u>	<u>\$382,748</u>	<u>\$742,189</u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, 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, 2008*

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**Net Change in Fund Balances - Total Governmental Funds** (\$423,469)

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

Governmental funds report capital outlay as an expenditure.

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 capital outlay exceeded depreciation in the current period.

Capital Asset Additions	407,767
Current Year Depreciation	<u>(243,316)</u>

Total	164,451
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	3,418
Income Taxes	51,529
Grants	<u>95,275</u>

Total	150,222
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Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

714,610

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

Accrued Interest	5,056
Amortization of Premium on Bonds	<u>637</u>

Total	5,693
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Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(8,405)
Vacation Benefits Payable	<u>(8,931)</u>

Total	<u>(17,336)</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$594,171</u></u>
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See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$181,401	\$218,500	\$214,192	(\$4,308)
Income Taxes	1,158,523	326,526	1,587,850	1,261,324
Charges for Services	3,155	806	3,366	2,560
Fines, Licenses and Permits	81,859	20,906	30,570	9,664
Intergovernmental	168,325	42,989	344,942	301,953
Interest	70,568	18,023	44,714	26,691
Contributions and Donations	913	233	200	(33)
Other	12,885	3,291	19,001	15,710
<i>Total Revenues</i>	<u>1,677,629</u>	<u>631,274</u>	<u>2,244,835</u>	<u>1,613,561</u>
<b>Expenditures</b>				
Current:				
General Government	746,095	816,622	658,853	157,769
Transportation	10,000	16,313	15,318	995
Leisure Time Activities	90,911	99,251	63,305	35,946
<i>Total Expenditures</i>	<u>847,006</u>	<u>932,186</u>	<u>737,476</u>	<u>194,710</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>830,623</u>	<u>(300,912)</u>	<u>1,507,359</u>	<u>1,808,271</u>
<b>Other Financing Sources (Uses)</b>				
General Obligation Notes Issued	539,636	650,000	605,000	(45,000)
Transfers Out	(2,096,262)	(2,163,316)	(2,148,500)	14,816
<i>Total Other Financing Sources (Uses)</i>	<u>(1,556,626)</u>	<u>(1,513,316)</u>	<u>(1,543,500)</u>	<u>(30,184)</u>
<i>Net Change in Fund Balance</i>	(726,003)	(1,814,228)	(36,141)	1,778,087
<i>Fund Balance Beginning of Year</i>	304,705	304,705	304,705	0
Prior Year Encumbrances Appropriated	82,294	82,294	82,294	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$339,004)</u>	<u>(\$1,427,229)</u>	<u>\$350,858</u>	<u>\$1,778,087</u>

See accompanying notes to the basic financial statements



**City of Canal Fulton, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police Fund*  
*For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$64,761	\$64,500	\$61,213	(\$3,287)
Income Taxes	120,000	120,000	120,000	0
Fines, Licenses and Permits	1,606	3,150	2,192	(958)
Intergovernmental	8,133	15,947	12,334	(3,613)
Contributions and Donations	50	98	225	127
Other	12,049	23,625	11,577	(12,048)
<i>Total Revenues</i>	206,599	227,320	207,541	(19,779)
<b>Expenditures</b>				
Current:				
Security of Persons and Property	834,759	839,759	820,801	18,958
<i>Excess of Revenues Under Expenditures</i>	(628,160)	(612,439)	(613,260)	(821)
<b>Other Financing Sources</b>				
Transfers In	602,913	1,297,479	600,000	(697,479)
<i>Net Change in Fund Balance</i>	(25,247)	685,040	(13,260)	(698,300)
<i>Fund Balance Beginning of Year</i>	47,555	47,555	47,555	0
Prior Year Encumbrances Appropriated	16,935	16,935	16,935	0
<i>Fund Balance End of Year</i>	\$39,243	\$749,530	\$51,230	(\$698,300)

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire/EMS Fund*  
*For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$54,175	\$64,500	\$61,213	(\$3,287)
Charges for Services	50,395	94,338	61,922	(32,416)
Intergovernmental	6,299	11,792	13,236	1,444
Contributions and Donations	42	79	0	(79)
Other	504	943	37,042	36,099
<i>Total Revenues</i>	111,415	171,652	173,413	1,761
<b>Expenditures</b>				
Current:				
Security of Persons and Property	427,250	442,250	437,203	5,047
<i>Excess of Revenues Under Expenditures</i>	(315,835)	(270,598)	(263,790)	6,808
<b>Other Financing Sources</b>				
Transfers In	272,972	510,998	325,000	(185,998)
<i>Net Change in Fund Balance</i>	(42,863)	240,400	61,210	(179,190)
<i>Fund Balance Beginning of Year</i>	30,158	30,158	30,158	0
Prior Year Encumbrances Appropriated	7,175	7,175	7,175	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$5,530)</u>	<u>\$277,733</u>	<u>\$98,543</u>	<u>(\$179,190)</u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**

*Statement of Fund Net Assets*

*Proprietary Funds*

*December 31, 2008*

	Water	Sewer	Total
<b>Assets</b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$201,106	\$769,933	\$971,039
Accounts Receivable	61,950	63,697	125,647
<i>Total Current Assets</i>	<u>263,056</u>	<u>833,630</u>	<u>1,096,686</u>
<i>Noncurrent Assets:</i>			
Deferred Charges	16,000	0	16,000
Nondepreciable Capital Assets	85,700	227,900	313,600
Depreciable Capital Assets, Net	4,344,169	3,970,969	8,315,138
<i>Total Noncurrent Assets</i>	<u>4,445,869</u>	<u>4,198,869</u>	<u>8,644,738</u>
<i>Total Assets</i>	<u>4,708,925</u>	<u>5,032,499</u>	<u>9,741,424</u>
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Accounts Payable	11,725	22,990	34,715
Accrued Wages	9,176	7,361	16,537
Intergovernmental Payable	16,863	15,060	31,923
Vacation Benefits Payable	3,521	3,060	6,581
Accrued Interest Payable	17,132	0	17,132
General Obligation Bonds Payable	170,084	0	170,084
OPWC Loans Payable	68,893	39,665	108,558
<i>Total Current Liabilities</i>	<u>297,394</u>	<u>88,136</u>	<u>385,530</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable	35,617	22,114	57,731
Bonds Payable	909,253	0	909,253
OPWC Loans Payable	823,292	505,210	1,328,502
<i>Total Long-Term Liabilities</i>	<u>1,768,162</u>	<u>527,324</u>	<u>2,295,486</u>
<i>Total Liabilities</i>	<u>2,065,556</u>	<u>615,460</u>	<u>2,681,016</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	2,478,433	3,653,994	6,132,427
Unrestricted	164,936	763,045	927,981
<i>Total Net Assets</i>	<u>\$2,643,369</u>	<u>\$4,417,039</u>	<u>\$7,060,408</u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2008*

	Water	Sewer	Total
<b>Operating Revenues</b>			
Charges for Services	\$648,315	\$728,021	\$1,376,336
Other	789	2,599	3,388
<i>Total Operating Revenues</i>	<u>649,104</u>	<u>730,620</u>	<u>1,379,724</u>
<b>Operating Expenses</b>			
Personal Services	369,221	328,778	697,999
Contractual Services	94,841	286,510	381,351
Fringe Benefits	56,001	40,234	96,235
Materials and Supplies	76,142	57,388	133,530
Depreciation	130,770	146,213	276,983
Other	1,742	0	1,742
<i>Total Operating Expenses</i>	<u>728,717</u>	<u>859,123</u>	<u>1,587,840</u>
<i>Operating Loss</i>	(79,613)	(128,503)	(208,116)
<b>Non-Operating Expenses</b>			
Interest and Fiscal Charges	(69,360)	0	(69,360)
<i>Loss before Transfers and Special Item</i>	(148,973)	(128,503)	(277,476)
Special Item - Northwest Waterline Receivable	(893,775)	0	(893,775)
Transfers In	107,699	0	107,699
<i>Change in Net Assets</i>	(935,049)	(128,503)	(1,063,552)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>3,578,418</u>	<u>4,545,542</u>	<u>8,123,960</u>
<i>Net Assets End of Year</i>	<u><u>\$2,643,369</u></u>	<u><u>\$4,417,039</u></u>	<u><u>\$7,060,408</u></u>

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2008

	Water	Sewer	Total
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$663,819	\$787,931	\$1,451,750
Other Cash Receipts	789	2,599	3,388
Cash Payments to Employees for Services	(380,448)	(340,872)	(721,320)
Cash Payments for Goods and Services	(201,495)	(346,084)	(547,579)
Other Cash Payments	(7,357)	(3,973)	(11,330)
<i>Net Cash Provided by Operating Activities</i>	<u>75,308</u>	<u>99,601</u>	<u>174,909</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal Paid on Bonds	(158,277)	0	(158,277)
Interest Paid on Bonds	(54,889)	0	(54,889)
Principal Paid on OPWC Loans	(68,893)	(39,665)	(108,558)
Payments for Capital Acquisitions	(111,578)	(75,553)	(187,131)
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(393,637)</u>	<u>(115,218)</u>	<u>(508,855)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfer In	107,699	0	107,699
<i>Net Decrease in Cash and Cash Equivalents</i>	(210,630)	(15,617)	(226,247)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>411,736</u>	<u>785,550</u>	<u>1,197,286</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$201,106</u>	<u>\$769,933</u>	<u>\$971,039</u>

(continued)

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
For the Year Ended December 31, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>			
Operating Loss	(\$79,613)	(\$128,503)	(\$208,116)
Adjustments:			
Depreciation	130,770	146,213	276,983
(Increase) Decrease in Assets:			
Accounts Receivable	(9,496)	59,910	50,414
Intergovernmental Receivable	25,000	0	25,000
Increase (Decrease) in Liabilities:			
Accounts Payable	(30,512)	(2,186)	(32,698)
Vacation Benefits Payable	2,766	2,282	5,048
Accrued Wages	4,203	3,114	7,317
Compensated Absences Payable	25,835	13,006	38,841
Intergovernmental Payable	6,355	5,765	12,120
<i>Net Cash Provided by Operating Activities</i>	<u>\$75,308</u>	<u>\$99,601</u>	<u>\$174,909</u>

Noncash Transaction: During 2008 the City forgave a \$893,775 receivable owed to them by the Northwest Local School District for a waterline.

See accompanying notes to the basic financial statements

**City of Canal Fulton, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*December 31, 2008*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,591</u>
<b>Liabilities</b>	
Undistributed Assets	<u>\$3,591</u>

See accompanying notes to the basic financial statements

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**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

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

As a result of the 2000 census, Canal Fulton, formerly known as the Village of Canal Fulton became the City of Canal Fulton. The City of Canal Fulton (the "City") is a charter municipal corporation, incorporated under the laws of the State of Ohio. The City operated under a Mayor-City Manager-Council form of government. The Mayor and Council are elected to staggered four year terms. The City Manager is appointed by the Mayor.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government provides the following services to its citizens: water and sewer utilities, park operations (leisure time activities), street maintenance and repairs, police and fire protection and emergency medical services.

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 the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City participates in the Stark County Regional Planning Commission, the Stark Council of Governments and the Stark County District Board of Health as jointly governed organizations and the Local Organized Governments in Cooperation, which is defined as a joint venture. These organizations are presented in Notes 18 and 19 to the basic financial statements.

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

The financial statements of the City of Canal Fulton have been prepared in conformity with generally accepted accounting principles (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 elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

***A. Basis of Presentation***

The City's basic financial statements 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.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

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***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.

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 governmental program or business activity is self-financing or draws 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.

***B. 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. The City's funds are classified as either governmental, proprietary or fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions 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 accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Canal Fulton and/or the general laws of Ohio.

***Police Special Revenue Fund*** The police fund accounts for income tax and property tax proceeds received to pay for expenditures related to police protection in the City.

***Fire/EMS Special Revenue Fund*** The fire/EMS fund accounts for property tax proceeds received to pay for expenditures related to fire protection and emergency medical services in the City.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

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***Downtown Improvement Debt Service Fund*** The downtown improvement fund accounts for resources used for the payment of long-term debt.

***General Capital Projects Capital Projects Fund*** The general capital projects fund accounts for grant monies used for capital improvements in the City.

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

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

***Enterprise Funds*** 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*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the City.

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer service 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. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund. The agency fund is used for performance bonds.

### ***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total 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 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 Fund 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.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

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***D. 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; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified 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 Nonexchange 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 year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of 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. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). 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 the 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 and motor vehicle license fees), fines, interest, grants and rentals.

***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, 2008, but which were levied to finance year 2009 operations, have been recorded as deferred revenue. 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 Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

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***E. Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as “equity in pooled cash and cash equivalents”.

During 2008, investments were limited to overnight repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2008 amounted to \$38,378 which includes \$31,069 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

***F. Capital Assets***

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital 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 enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of fifteen hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All 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>Estimated Lives</u>
Buildings and Improvements	50 years
Equipment and Machinery	5-10 years
Vehicles	5 years
Infrastructure	20-75 years

The City’s current infrastructure consists of roads, storm sewers and water and sewer lines. For 2003, the City reported governmental activities infrastructure for the first time. The City only reports the amounts acquired after 2002. The City plans to phase in the prior year amounts for roads and bridges in future years.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

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***G. Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables.” 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.

***H. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as “vacation benefits payable” on the statement of net assets rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination payments and those the City has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments within the next ten years). The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after seven years of accumulated service.

***I. 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. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***J. Fund Balance Reserves***

Reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Fund balance reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances.

***K. 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 constitutional provisions or enabling legislation or through external restrictions imposed by creditors,

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

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grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$899,484 of restricted net assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes includes resources restricted for fire/EMS services and the St. Helena canal boat.

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

***L. 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 and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

***M. Internal Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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 financial statements.

***N. Bond Issuance Costs***

Bond issuance costs for underwriting fees and bond insurance for the Northwest Waterline general obligation bonds are being amortized using the straight-line method over the life of the bonds on the government-wide and proprietary fund statements. The straight-line method of amortization is not materially different from the effective-interest method.

As permitted by State statute, the City paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

***O. Bond Premium***

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

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***P. 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 Administration and that are either unusual in nature or infrequent in occurrence. In prior years, the City held a receivable from the Northwest Local School District due to the School District repaying the City's cost to provide waterlines to the School District. In 2008, the City annexed the land where the waterlines are located and will no longer require the School District to pay for the waterlines. The decrease in expected revenue is disclosed as a special item.

***Q. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***R. Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the personal services and individual object level within each department for all funds. Any budgetary modifications at this level may only be made by resolution of City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the original and final amended certificate of estimated resources in effect at the time the original and final appropriations were passed by Council.

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

**Note 3 – Change in Accounting Principles and Restatement of Prior Year Net Assets**

***A. Change in Accounting Principles***

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remedial obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this Statement did not result in any change to the City's financial statements.



**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

**B. Restatement of Prior Year Net Assets**

During 2008, it was determined that capital assets had been overstated/understated in prior years due to formula errors in the detailed capital asset spreadsheet and prior year net assets needed to be restated. This restatement had the following effect on net assets at December 31, 2007:

	Water	Sewer	Total Business- Type Activities
Net Assets as of December 31, 2007	\$3,821,419	\$5,073,440	\$8,894,859
Capital Assets	(243,001)	(527,898)	(770,899)
Restated Net Assets as of December 31, 2007	<u>\$3,578,418</u>	<u>\$4,545,542</u>	<u>\$8,123,960</u>

	Governmental Activities
Net Assets as of December 31, 2007	\$8,084,961
Capital Assets	1,768,159
Restated Net Assets as of December 31, 2007	<u>\$9,853,120</u>

**Note 4 – Accountability and Compliance**

**A. Accountability**

The general fund's deficit of \$54,095 is the result of the issuance of short-term bond anticipation notes which are used to finance the purchase of land. Once the notes are retired or bonds are issued, the deficit will be eliminated.

**B. Compliance**

Contrary to Section 5705.39, Ohio Revised Code, the following funds had original appropriations in excess of estimated revenues and carryover balances:

	Estimated Revenue Plus Carryover Balances	Original Appropriations	Excess
<i>Major Funds:</i>			
General	\$2,604,264	\$2,943,268	(\$339,004)
<i>Special Revenue Funds:</i>			
Street Construction, Maintenance and Repair	301,517	301,973	(456)
Fire/EMS	421,720	427,250	(5,530)

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2008

Contrary to Section 5705.39, Ohio Revised Code, the following funds had final appropriations in excess of estimated revenues and carryover balances:

	Estimated Revenue Plus Carryover Balances	Final Appropriations	Excess
<i>Major Funds:</i>			
General	\$1,668,273	\$3,095,502	(\$1,427,229)
<i>Special Revenue Funds:</i>			
Street Construction, Maintenance and Repair	289,517	306,973	(17,456)

Although these budgetary violations were not corrected by year end, management has indicated that appropriations will be closely monitored to ensure no further violations.

**Note 5 - 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 Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund and major special revenue funds are 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 and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue funds.

Net Change in Fund Balance  
General and Major Special Revenue Funds

	General	Police	Fire/EMS
GAAP Basis	(\$514,730)	\$2,595	\$54,147
Net Adjustment for Revenue Accruals	537,690	(13,667)	(2,387)
Net Adjustment for Expenditure Accruals	(5,175)	2,897	12,310
Encumbrances	(53,926)	(5,085)	(2,860)
Budget Basis	(\$36,141)	(\$13,260)	\$61,210

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

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**Note 6 – Deposits and Investments**

The City has chosen to follow state statutes which classify monies held by the City into three categories.

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,

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7. The State Treasurer’s investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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.

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.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the City's deposits was \$1,216,319 and the bank balance was \$1,335,993. Of the bank balance \$375,575 was covered by Federal depository insurance and \$960,418 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institution’s trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

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

**Investments**

Investments are reported at fair value. As of December 31, 2008, the City had the following investments:

	Fair Value	Maturity
Repurchase Agreement:		
Federal Home Loan Mortgage Corporation Bonds	\$1,025,000	Daily

**Interest Rate Risk** arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City’s investment policy addresses interest rate risk requiring that the City’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell

**City of Canal Fulton, Ohio**  
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securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City investment policy also limits security purchases to those that mature in five years unless specifically matched to a specific cash flow.

**Credit Risk** is addressed by the City's investment policy by the requirements that all investments be authorized by the Ohio Revised Code. The Federal Home Loan Mortgage Corporation Bonds carry an AAA rating by Standard & Poor's.

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations.

## **Note 7 - Receivables**

Receivables at December 31, 2008, consisted primarily of municipal income taxes, property taxes, intergovernmental receivables arising from entitlements and shared revenues and accounts (billings for utility service). No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

### **A. Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. If paid annually, the 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 tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2008, was \$4.85 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

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	<u>Assessed Value</u>
Real Property	\$95,691,470
Tangible Personal Property	1,106,934
Public Utility Property	1,003,530
Total	\$97,801,934

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Canal Fulton. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the general, police, fire/EMS, and capital improvement funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period are 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.

***B. Income Taxes***

The City levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency or business activities within the City. The City allows a credit of 50 percent for the income tax paid to another municipality, not to exceed one percent of taxable income, to a maximum of half the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the general fund and the police special revenue fund.

***C. Intergovernmental Receivables***

A summary of intergovernmental receivables follows:

	<u>Amount</u>
<b>Governmental Activities</b>	
Gasoline Tax	\$98,836
Local Government	73,853
Homestead and Rollback	35,711
Permissive Motor Vehicle License Tax	34,910
Motor Vehicle License Tax	7,916
Police Grants	2,210
Miscellaneous	841
Total	\$254,277

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**Note 8 - Interfund Balances and Transfers**

**A. Balances**

Interfund balances at December 31, 2008 consisted of an interfund payable in the Elm Ridge special assessment debt service fund and an interfund receivable in the general fund of \$3,756 from 2004. This amount was originally advanced to supplement the debt payments made from the Elm Ridge special assessment debt service fund.

**B. Transfers**

Interfund transfers for the year ended December 31, 2008, consisted of the following:

<u>Transfer to</u>	<u>Transfer From</u>
	<u>General</u>
Major Funds:	
Police	\$600,000
Fire/EMS	325,000
Downtown Improvement	745,000
Capital Improvement	300,801
Water	107,699
Total Major Funds	<u>2,078,500</u>
Other Governmental Funds	70,000
Total	<u><u>\$2,148,500</u></u>

The transfers to the police and fire/EMS special revenue funds, water enterprise fund, and nonmajor funds were to supplement the operations of those funds. The transfer to the downtown improvement debt service fund was for the repayment of debt. The transfer to the capital improvement capital projects fund was to supplement capital improvements.

**Note 9 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, the City contracted with The Ohio Plan for various types of insurance. The coverage and deductible are as follows:

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Type of Coverage	Deductible	Coverage
General Liability	\$1,000	\$2,000,000
Employers Liability	0	1,000,000
Employee Benefits	1,000	1,000,000
Law Enforcement Officers Liability	5,000	2,000,000
Public Officials Liability	1,000	2,000,000
Automobile	500	2,000,000
Property	1,000	12,133,693
Special Property Coverage	1,000	1,011,056
Electronic Equipment/Media Coverage	500	40,201
Public Employee Dishonesty	250	10,000
Boiler and Machinery	1,000	12,133,693
Emergency Medical Services Liability	1,000	2,000,000
Municipal Attorney and Law Director	1,000	1,000,000

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Note 10 – Other Employee Benefits**

***A. Compensated Absences***

Vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten or more days of vacation per year, depending upon length of service. Only five vacation days may be carried over to the following year. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at a rate of 4.6 hours for each completed pay period of 80 hours. Sick leave accumulation is unlimited, but upon retirement, a non-union employee can be paid twenty-five percent of accumulated, unused sick leave to a maximum of 120 days and a union employee can be paid twenty-five percent of accumulated sick leave.

***B. Medical and Dental Insurance***

The City provides medical and dental benefits to employees through HomeTown Health. The City's portion of monthly premiums for 2008 were \$887.55 for family, \$640.70 for employee and spouse, \$532.53 for employee and children, and \$295.85 for single.



**City of Canal Fulton, Ohio**  
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**Note 11 - Capital Assets**

Capital asset activity for the year ended December 31, 2008, was as follows:

	Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$2,668,100	\$0	\$0	\$2,668,100
Construction in Progress	1,647,917	69,326	(1,717,243)	0
Total Capital Assets not being depreciated	<u>4,316,017</u>	<u>69,326</u>	<u>(1,717,243)</u>	<u>2,668,100</u>
Capital Assets being depreciated:				
Buildings and Improvements	5,320,478	1,824,175	0	7,144,653
Equipment and Machinery	377,740	151,355	0	529,095
Vehicles	1,205,467	34,025	0	1,239,492
Infrastructure:				
Storm Sewers	3,579,030	0	0	3,579,030
Roads	578,704	46,129	0	624,833
Total Capital Assets being depreciated	<u>11,061,419</u>	<u>2,055,684</u>	<u>0</u>	<u>13,117,103</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,523,994)	(55,809)	0	(1,579,803)
Equipment and Machinery	(238,648)	(60,946)	0	(299,594)
Vehicles	(1,053,450)	(54,755)	0	(1,108,205)
Infrastructure:				
Storm Sewers	(1,826,572)	(40,341)	0	(1,866,913)
Roads	(126,170)	(31,465)	0	(157,635)
Total Accumulated Depreciation	<u>(4,768,834)</u>	<u>(243,316) *</u>	<u>0</u>	<u>(5,012,150)</u>
Total Capital Assets being Depreciated, net	<u>6,292,585</u>	<u>1,812,368</u>	<u>0</u>	<u>8,104,953</u>
Governmental Activities Capital Assets, Net	<u>\$10,608,602</u>	<u>\$1,881,694</u>	<u>(\$1,717,243)</u>	<u>\$10,773,053</u>

**City of Canal Fulton, Ohio**  
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	Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008
<b>Business-Type Activities</b>				
Capital Assets not being depreciated:				
Land	\$313,600	\$0	\$0	\$313,600
Capital Assets being depreciated:				
Buildings and Improvements	4,196,392	62,836	0	4,259,228
Equipment and Machinery	124,817	10,760	0	135,577
Vehicles	109,344	36,914	0	146,258
Infrastructure:				
Sewer Lines	4,563,535	0	0	4,563,535
Water Lines	6,036,717	76,621	0	6,113,338
Total Capital Assets being depreciated	15,030,805	187,131	0	15,217,936
Less Accumulated Depreciation:				
Buildings and Improvements	(1,688,598)	(94,566)	0	(1,783,164)
Equipment and Machinery	(58,242)	(18,671)	0	(76,913)
Vehicles	(69,959)	(21,842)	0	(91,801)
Infrastructure:				
Sewer Lines	(2,180,740)	(56,712)		(2,237,452)
Water Lines	(2,628,276)	(85,192)	0	(2,713,468)
Total Accumulated Depreciation	(6,625,815)	(276,983)	0	(6,902,798)
Total Capital Assets, being depreciated, net	8,404,990	(89,852)	0	8,315,138
Business-Type Activities Capital Assets, Net	\$8,718,590	(\$89,852)	\$0	\$8,628,738

\* Depreciation expense was charged to governmental activities as follows:

General Government	\$44,408
Security of Persons and Property	111,003
Transportation	87,905
Total Depreciation Expense	<u>\$243,316</u>

**Note 12 – Notes Payable**

In 2008, the City issued and has outstanding \$605,000 in notes to retire notes that were issued in 2007 to purchase property. The 2007 notes were presented as a long-term liability. The notes are bond anticipation notes, have an interest rate of 4.5 percent and mature November 28, 2009.

All notes are backed by the full faith and credit of the City and mature within one year. The note liability is reflected in the fund which received the proceeds and will repay the debt. The notes are generally issued in anticipation of long-term bond financing and refinanced until such bonds are issued.

**City of Canal Fulton, Ohio**  
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**Note 13 - Long-Term Obligations**

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities</b>			
Downtown Improvement Bonds - 2001	2.6%-4.2%	\$380,000	December 1, 2011
Fire Station Bonds 1 - 2006	4.25-5.0	750,000	December 1, 2025
Fire Station Bonds 2 - 2006	4.25	750,000	December 1, 2025
Bond Anticipation Note	4.25	605,000	November 28, 2008
<b>Business-Type Activities</b>			
OPWC Canal Street Waterline Loan - 1995	0.0	123,156	July 1, 2015
OPWC Market Street Waterline Loan - 1995	0.0	322,455	July 1, 2015
OPWC Water Treatment Plant Loan - 2003	0.0	600,595	July 1, 2024
OPWC Denshire Sanitary Sewer Loan - 2003	0.0	417,195	July 1, 2022
OPWC Solids Handling Improvement Loan - 2003	0.0	376,100	January 1, 2023
OPWC Milan Street Waterline Loan - 2006	0.0	331,649	January 1, 2026
Water Treatment Plant Bonds - 2001	2.6-4.2	810,000	December 1, 2011
Water Plant Expansion Bonds - 2001	2.6-4.2	615,000	December 1, 2011
Northwest Waterline Bonds - 2005	3.0-4.5	730,000	March 15, 2025

The changes in the City's long-term obligations during the year consist of the following:

	Amount Outstanding 12/31/2007	Additions	Deletions	Amount Outstanding 12/31/2008	Amounts Due in One Year
<b>Governmental Activities</b>					
<u>General Obligation Bonds</u>					
Downtown Improvement Bonds	\$156,472	\$0	\$36,723	\$119,749	\$39,916
Fire Station Bonds 1	685,000	0	25,000	660,000	25,000
Premium on Fire Station Bonds 1	8,102	0	450	7,652	0
Fire Station Bond 2	680,000	0	25,000	655,000	25,000
Premium on Fire Station Bonds 2	3,362	0	187	3,175	0
Total General Obligation Bonds	1,532,936	0	87,360	1,445,576	89,916
Bond Anticipation Note	605,000	0	605,000	0	0
Capital Lease	97,619	0	22,887	74,732	23,871
Compensated Absences	52,282	10,525	2,120	60,687	0
Total Governmental Activities	<u>\$2,287,837</u>	<u>\$10,525</u>	<u>\$717,367</u>	<u>\$1,580,995</u>	<u>\$113,787</u>

**City of Canal Fulton, Ohio**  
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	Amount Outstanding 12/31/2007	Additions	Deletions	Amount Outstanding 12/31/2008	Amounts Due in One Year
<b>Business-Type Activities</b>					
<u>OPWC Loans</u>					
OPWC Canal Street Waterline	\$46,182	\$0	\$6,158	\$40,024	\$6,158
OPWC Market Street Waterline	120,921	0	16,123	104,798	16,123
OPWC Water Treatment Plant	495,490	0	30,030	465,460	30,030
OPWC Denshire Sanitary Sewer	302,465	0	20,860	281,605	20,860
OPWC Solids Handling Improvement	282,075	0	18,805	263,270	18,805
OPWC Milan Street Waterline	298,485	0	16,582	281,903	16,582
Total OPWC Loans	<u>1,545,618</u>	<u>0</u>	<u>108,558</u>	<u>1,437,060</u>	<u>108,558</u>
General Obligation Bonds:					
Water Treatment Plant Bonds	333,528	0	78,277	255,251	85,084
Water Plant Expansion Bonds	220,000	0	55,000	165,000	55,000
Northwest Waterline Bonds					
Serial Bonds	435,000	0	25,000	410,000	30,000
Term Bonds	245,000	0	0	245,000	0
Premium on Northwest Waterline Bonds	4,341	0	255	4,086	0
Total General Obligation Bonds	<u>1,237,869</u>	<u>0</u>	<u>158,532</u>	<u>1,079,337</u>	<u>170,084</u>
Compensated Absences	18,890	40,759	1,918	57,731	0
Total Business-Type Activities	<u>\$2,802,377</u>	<u>\$40,759</u>	<u>\$269,008</u>	<u>\$2,574,128</u>	<u>\$278,642</u>

The downtown improvement bonds, fire station bonds 1 and 2, the bond anticipation note and the capital lease will be paid from the downtown improvement debt service fund.

The water treatment plant bonds and the water plant expansion bonds were issued in 2001 to improve and expand the City's water treatment plant. On March 15, 2005, the City issued \$730,000 of Water Improvement Bonds for the purpose of constructing a waterline for the Northwest Local School District. The bonds are subject to mandatory sinking fund redemption before maturity. Interest payments, at rates ranging from 3.00 percent to 4.50 percent per year are payable on March 15 and September 15 of each year, until the principal amount is paid. The bonds are paid from user fees in the water fund.

**Redemption Provisions**

***Mandatory Sinking Fund Redemption*** The Northwest waterline bonds maturing on March 15, 2025 are term bonds and are subject to mandatory sinking redemption requirements on March 15 in the years (Mandatory Redemption Dates) and in the principal amounts as follows (with the balance of \$55,000 to be paid at maturity on March 15, 2025):

Year	Principal Amount
2021	\$45,000
2022	45,000
2023	50,000
2024	50,000

The OPWC water and sewer loans are to finance various waterline and sanitary sewer projects in the City and will be paid from the water and sewer funds.

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Compensated absences will be paid from the general fund, the street construction, maintenance and repair and police special revenue funds, and the water and sewer enterprise funds.

As of December 31, 2008, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,852,521 and the unvoted legal debt margin was \$2,962,424.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2008 are as follows:

Governmental Activities:

Year	General Obligation Bonds	
	Principal	Interest
2009	\$89,916	\$67,436
2010	99,916	63,713
2011	99,917	59,526
2012	60,000	55,300
2013	60,000	52,750
2014-2018	360,000	219,150
2019-2023	455,000	123,000
2024-2025	210,000	16,000
Total	\$1,434,749	\$656,875

Business-Type Activities:

Year	OPWC Loans Principal	General Obligation Bonds			
		Serial		Term	
		Principal	Interest	Principal	Interest
2009	\$108,558	\$170,084	\$44,031	\$0	\$0
2010	108,558	170,084	37,414	0	0
2011	108,558	170,083	30,621	0	0
2012	108,558	30,000	23,612	0	0
2013	108,558	30,000	22,412	0	0
2014-2018	464,802	180,000	91,281	0	0
2019-2023	381,285	80,000	25,452	140,000	23,852
2024-2026	48,183	0	0	105,000	4,834
Total	\$1,437,060	\$830,251	\$274,823	\$245,000	\$28,686

**City of Canal Fulton, Ohio**  
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**Note 14 – Capital Leases Payable**

During 2007, the City entered into a lease for the acquisition of an ambulance. This lease obligation meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, “Accounting for Leases,” and has been recorded as a capital asset on the government-wide statements. Capital lease payments are reflected as debt service expenditures in the general capital projects fund on the basic financial statements. The original amount capitalized for the capital lease and the book value as of December 31, 2008 follows:

	Governmental Activities
Vehicles	\$119,563
Less: Accumulated Depreciation	(47,826)
Current Book Value	\$71,737

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2008:

Year Ending December 31,	Governmental Activities
2009	\$26,796
2010	26,796
2011	26,796
Total Minimum Lease Payments	80,388
Less: Amount Representing Interest	(5,656)
Total	\$74,732

**Note 15 - Defined Benefit 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 plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

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Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll, public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$66,779, \$71,192 and \$96,480 respectively; 89.77 percent has been contributed for 2008 and 100 percent for 2007 and 2006. There were no contributions to the member-directed plan for 2008 made by the City or 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 pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to the OP&F were \$58,266 for the year ended December 31, 2008, \$40,657 for the year ended December 31, 2007, and \$47,106 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 70.74 percent has been contributed for 2008.

**Note 16 - Postemployment Benefits**

***A. Ohio Public Employees Retirement System***

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

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Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer’s contribution to the traditional and 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 2008, state and local employers contributed 14 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7 percent of covered payroll.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree’s surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007 and 2006 were \$66,779, \$46,893 and \$47,191 respectively; 89.77 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

***B. Police and Firemen's Disability and Pension Fund***

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit 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 healthcare 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 information and required supplementary information for the Plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F’s post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the



**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

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contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan a rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and firefighters, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for employee healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare 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 were \$30,847 for the year ended December 31, 2008, \$28,830 for the year ended December 31, 2007, and \$31,070 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 70.74 percent has been contributed for police for 2008.

#### **Note 17 - Litigation**

The City is not currently a party to any legal proceedings which would have a material impact on the financial statements.

#### **Note 18 – Jointly Governed Organizations**

##### ***A. Stark County Regional Planning Commission***

The City participates in the Stark County Regional Planning Commission (Commission), which is a statutorily created political subdivision of the State. The commission is jointly governed among Stark County, and other cities, villages, and townships. Of the 48 member board, the City appoints one member. The degree of control exercised by any participating government is limited to its representation on the board. The principal aim of the Commission is to provide comprehensive planning, both long and short-term range, dealing with the economic and physical environment of Stark County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting and designating management. The City has no financial responsibility for any of the Commission's liabilities. In 2008, the City contributed \$5,895 to the Commission. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

##### ***B. Stark Council of Governments***

The City participates in the Stark Council of Governments (the "Council") which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County and its municipalities and townships which direct the operations of the Stark County Metropolitan Narcotics Unit and the Stark County Crime Laboratory. Of the 27 members, the City has one appointed member. Each member's control over the operation of the Council is limited to its representation on the board. The board exercises total authority over the operation of the Council including budgeting, appropriation,

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2008*

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contracting, and designating management. The City does not have an equity interest in the Council. The Council is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City did not contribute any funds to the Council in 2008. Complete financial statements can be obtained from the Stark Council of Governments, P.O. Box 21451 Canton, Ohio 44701-1451.

***C. Stark County District Board of Health***

The City participates in the Stark County District Board of Health (the "Health District") which is a statutorily created political subdivision of the State. The Health District is jointly governed by Stark County townships, villages, the City of Canal Fulton, the City of Louisville, and the City of North Canton. Of the 7 board members, the City has one appointed member. The board is made up of various professionals who are equally representative of the general health district. The board exercises total authority over the operation of the Health District including budgeting, appropriation, contracting, and designating management. The City does not have an equity interest in the Health District. The Health District is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City contributed \$23,091 to the Health District in 2008. Complete financial statements can be obtained from the Stark County Combined General Health District, 3951 Convenience Circle NW, Canton, Ohio 44718.

**Note 19 – Joint Venture**

The City participates in the Local Organized Governments in Cooperation (LOGIC), a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the City, Jackson Township, City of Massillon, and Hills and Dales Village, with each participant providing one representative to serve on the board. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The board has total authority over the operation of LOGIC, including budgeting, appropriating, contracting, and designating management. Continued existence of LOGIC is dependent on the City's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the City. During 2008, the City made contributions of \$64,806 but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.



# Mary Taylor, CPA

Auditor of State

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

City of Canal Fulton  
Stark County  
155 East Market Street, Suite A  
Canal Fulton, Ohio 44614

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 Canal Fulton, Stark County, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 31, 2009, wherein we noted the City restated net assets at January 1, 2008 due to formula errors within the detail capital assets records of the Water and Sewer funds and the Governmental Activities. 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 expressing our opinion on the financial statements, but not to opine 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding number 2008-004 described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated July 31, 2009.

### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2008-001 through 2008-003.

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated July 31, 2009.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the City Council and management. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

July 31, 2009

**CITY OF CANAL FULTON  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Finding for Recovery Repaid Under Audit – Overpayment**

Based on review of the signed time sheets submitted by Joe Parsons and the review of the payroll records for those pay periods from the City of Canal Fulton and the City of New Franklin, the City of Canal Fulton timesheets included hours Joe Parsons was known to be working for the City of New Franklin. As a result, Joe Parsons was overpaid by the City of Canal Fulton by the amount of \$346.23.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Joe Parsons, Paramedic/Fireman in the amount of \$346.23, and in favor of City of Canal Fulton, EMS Fire Fund, in the amount of \$346.23

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp. (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

**Official’s Response:** All funds were repaid, \$346.23 by Joe Parsons on August 13, 2009 check #177.

**FINDING NUMBER 2008-002**

**Material Noncompliance**

**Ohio Rev. Code Section 5705.39** requires “The total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.”

**FINDING NUMBER 2008-002 (Continued)**

The Appropriations exceeded Estimated Resources in the following funds:

<u>Fund</u>	<u>Original Estimated Resources Plus Beginning Balance</u>	<u>Original Appropriations Plus Prior Year Encumbrances</u>	<u>Variance</u>
General Fund	\$2,604,264	\$2,943,268	(\$339,004)
Street Maintenance Fund	301,517	301,973	(456)
Fire/EMS Fund	421,720	427,250	(5,530)

<u>Fund</u>	<u>Estimated Resources Plus Beginning Balance</u>	<u>Final Appropriations Plus Prior Year Encumbrances</u>	<u>Variance</u>
General Fund	\$1,668,273	\$3,095,502	(\$1,427,229)
Street Maintenance Fund	289,517	306,973	(17,456)

Additionally, the City did not file all of its appropriations with Stark County. Therefore, no “Does Not Exceed” certificate was obtained from the County. The City should closely monitor appropriations versus estimated resources to help avoid overspending. Additionally, the City should file all approved appropriation measures with the County Auditor and request a “Does Not Exceed” Certificate for each measure filed to help ensure compliance with this requirement.

**Official’s Response:** Additional appropriations will be emailed and sent hard copy to the County Auditor, and subsequently followed up on until the amended certificate is received.

**FINDING NUMBER 2008-003**

**Material Noncompliance**

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision’s fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2008-003 (Continued)**

1. **“Then and Now” Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection to the credit of a proper fund, properly appropriated and free from a previous encumbrance, they can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The City may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal year 2008, 13 out of 51 (25%) of expenditures tested were not certified as to the availability of funds by the Finance Director prior to incurring the obligations.

The City should implement the use of so called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which arise from time to time. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City’s funds exceeding budgetary spending limitations, the Finance Director should certify that funds are or will be available prior to obligation by the City. When prior certification is not possible, “then and now” certification should be used.

The City should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Finance Director should sign the certification at the time the City incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Finance Director should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Official’s Response:** Blanket purchase orders for utilities and fuel will be utilized as well as careful monitoring of the then and now certificate, when the original amount of the purchase order is exceeded.

## FINDING NUMBER 2008-004

### Material Weakness

#### Emergency Medical Service (EMS) Procedures

The City utilizes a third-party administrator to process EMS billings and maintain customer accounts; however, the following deficiencies were noted during the testing of EMS billing and receipts:

- Twenty of 40, (50%) EMS runs were under billed by a total of \$1,052, in amounts ranging from \$28 to \$104, due to mileage being billed using the old mileage rate. The City did not notify the billing company of the rate change upon enactment of the new rate.
- The City has established fee rates for Extra Attendants, but the fee was not billed because the City has not established a definition of what constitutes Extra Attendants.
- One of 40, (2.5%) the EMS runs was under billed \$200 due to an error by the billing company, and the error was not detected in time to re-bill the EMS run.
- The run number for one of 40, (2.5%) EMS Run Reports tested did not agree between the City and the billing number due to the billing company assigning a run number because the EMS Run Report submitted to the billing company did not have a run number.
- At month end, the Finance Assistant lists the EMS payments received by the City to summarize amounts received by the City. However, the summary was not reviewed by the Finance Director or compared to the Monthly Credit report sent to the City by the billing company.
- The City Finance Director and the Fire Chief receives an aging report (delinquent billing reports) from the billing company monthly but no monitoring of past due accounts was performed, nor were these report submitted to Council for their review.
- There was no evidence billing reports submitted to the billing company for billings were reviewed by anyone from the City.
- No evidence of written policies addressing the billing process is maintained by the City.

In order to correct these deficiencies, the City should appoint an individual or individuals to:

- Submit changes in the billing rates to the billing company timely, to enable the billing company to properly bill EMS Fees.
- Ensure all fees included on the fee schedule are specifically defined as to the service related to those fees.
- Review billing determinations made by the billing company to ensure EMS runs are billed at the proper level of care.
- Number all EMS runs using a standardized system to ensure the EMS run information maintained by the City and the billing company agree for the corresponding EMS run in order to better facilitate review and reduce the possibility of improper billing and/or not billing EMS runs.
- Compare totals from the monthly billing listing to the credit report from the billing company to help ensure completeness and accuracy of the amounts recorded by the billing company. These reviews should be initialed and dated once the review is performed.
- Review past due accounts on the aging report (delinquent billing report) and recommend to City Council uncollectible billing amounts to be written off with Council's approval or pursued for collection.
- Document the review of the billing reports submitted to the third-party administrator.
- Adopt written policies on the billing process including responsibilities of individuals.

**Officials' Response:** New internal controls and policies have been implemented to track the monthly progression of daily EMS runs. The Fire Chief submits to Council the list of runs and are forwarded to the billing agency for reconciliation.



**CITY OF CANAL FULTON  
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2007-001	Finding for Recovery Repaid Under Audit – Overpayment - On November 19, 2008, Daniel Mayberry completed repayment to the City in the amount of \$500.	Yes	Corrected. Finding no longer valid.
2007-002	Finding for Recovery Repaid Under Audit – Overpayment - On November 3, 2008, George Lukinac completed repayment to the City in the amount of \$500.	Yes	Corrected. Finding no longer valid.
2007-003	Ohio Rev. Code Section 5705.39 – Certain funds had appropriations exceeding estimated resources.	No	Not corrected. See Finding 2008-002.
2007-004	Ohio Rev. Code Section 5705.41D – Certain expenditures were not certified prior to incurring the bank reconciliations.	No	Not corrected. See Finding 2008-003.
2007-005	Bank Reconciliations – Several errors were noted within the bank reconciliations.	Yes	Corrected.
2007-006	Emergency Medical Service Procedures – Multiple errors in billing and receipting procedures.	No	Not corrected. See Finding 2008-004.
2007-007	Generally Accepted Accounting Principles (GAAP) Conversion – Multiple items related to the GAAP Conversion process resulted in possible adjustments to the financial statements.	Yes	Corrected.
2007-008	Accounts Payable – Various items were improperly included or excluded from the accounts payable listing.	No	Not corrected. See Management Letter.
2007-009	Reserve for Encumbrances - Purchase orders as old as 2004 were not closed at year-end although no obligation or commitment existed at December 31, 2007.	Yes	Corrected.





Mary Taylor, CPA  
Auditor of State

**CITY OF CANAL FULTON**

**STARK 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  
SEPTEMBER 8, 2009**