

**CITY OF CANFIELD  
MAHONING COUNTY, OHIO  
BASIC FINANCIAL STATEMENTS**

*FOR THE YEAR ENDED  
DECEMBER 31, 2006*

**SANDRA MAYBERRY, DIRECTOR OF FINANCE**





Mary Taylor, CPA  
Auditor of State

Members of City Council and Mayor  
City of Canfield  
104 Lisbon Street  
Canfield, Ohio 44406

We have reviewed the *Independent Auditor's Report* of the City of Canfield, Mahoning County, prepared by Julian & Grube, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Canfield is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 1, 2009

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**CITY OF CANFIELD, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

Members of Council and Mayor  
City of Canfield  
104 Lisbon Street  
Canfield, OH 44406

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, Ohio, (the "City"), as of and for the year ended December 31, 2006, 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.

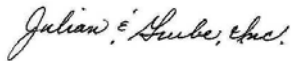
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, Ohio as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue fund: street construction, maintenance and repair fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of Council and Mayor  
City of Canfield  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
April 15, 2009

## CITY OF CANFIELD, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 UNAUDITED

The management's discussion and analysis of the City of Canfield's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### Financial Highlights

Key financial highlights for 2006 are as follows:

- The total net assets of the City decreased \$91,196. Net assets of governmental activities decreased \$37,845 or .24% from 2005 and net assets of business-type activities decreased \$53,351 or 0.35% over 2005.
- General revenues accounted for \$3,474,200 of total governmental activities revenue. Program specific revenues accounted for \$1,117,149 or 24.33% of total governmental activities revenue.
- The City had \$4,629,194 in expenses related to governmental activities; \$1,117,149 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,512,045 were offset by general revenues (primarily taxes and unrestricted grants and entitlements) of \$3,474,200.
- The general fund had revenues and other financing sources of \$3,241,789 in 2006. This represents an increase of \$215,062 from 2005. The expenditures and other financing uses of the general fund, which totaled \$2,946,153 in 2006, decreased \$301,800 from 2005. The net increase in fund balance for the general fund was \$295,636 or 15.18%.
- The street construction maintenance and repair fund had revenues of \$971,769 in 2006. The expenditures and other financing uses of the street construction maintenance and repair fund, totaled \$865,123 in 2006. The net increase in fund balance for the street construction maintenance and repair fund was \$106,646 or 28.64%.
- The Red Gate debt retirement fund had revenues and other financing sources of \$1,391,007 in 2006. The expenditures of the Red Gate debt retirement fund, totaled \$1,351,994 in 2006. The net increase in fund balance for the Red Gate debt retirement fund was \$39,013 or 356.32%.
- Net assets for the business-type activities, which are made up of the Sewer, Water and Storm Water enterprise funds, decreased in 2006 by \$53,351. This decrease in net assets was due primarily to a decrease in accounts receivable and capital assets over the prior year.
- In the general fund, the actual revenues and other financing sources came in \$101,285 higher than they were in the final budget and actual expenditures and other financing uses were \$363,112 less than the amount in the final budget. Budgeted expenditures were increased \$67,090 from the original to the final budget. Budgeted revenues were the same in the original and final budgets.



**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

**Using this Annual Financial Report**

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

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

**Reporting the City as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**Reporting the City's Most Significant Funds**

*Fund Financial Statements*

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

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

**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

***Governmental Funds***

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

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

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

***Proprietary Funds***

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

***Fiduciary Funds***

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

***Notes to the Basic Financial Statements***

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

**CITY OF CANFIELD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**UNAUDITED**

**Government-Wide Financial Analysis**

The table below provides a summary of the City's net assets for 2006 and 2005:

	<b>Net Assets</b>					
	Governmental Activities		Business-type Activities		2006	2005
	2006	2005	2006	2005	Total	Total
<u>Assets</u>						
Current and other assets	\$ 5,537,592	\$ 5,327,039	\$ 3,478,055	\$ 3,389,330	\$ 9,015,647	\$ 8,716,369
Capital assets	<u>12,920,763</u>	<u>13,515,574</u>	<u>13,084,696</u>	<u>13,365,933</u>	<u>26,005,459</u>	<u>26,881,507</u>
Total assets	<u>18,458,355</u>	<u>18,842,613</u>	<u>16,562,751</u>	<u>16,755,263</u>	<u>35,021,106</u>	<u>35,597,876</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	2,190,120	2,414,268	1,283,536	1,444,031	3,473,656	3,858,299
Other liabilities	<u>786,660</u>	<u>908,925</u>	<u>216,505</u>	<u>195,171</u>	<u>1,003,165</u>	<u>1,104,096</u>
Total liabilities	<u>2,976,780</u>	<u>3,323,193</u>	<u>1,500,041</u>	<u>1,639,202</u>	<u>4,476,821</u>	<u>4,962,395</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	10,890,404	11,261,640	11,811,902	11,946,474	22,702,306	23,208,114
Restricted	2,107,584	2,049,751	-	-	2,107,584	2,049,751
Unrestricted	<u>2,483,587</u>	<u>2,208,029</u>	<u>3,250,808</u>	<u>3,169,587</u>	<u>5,734,395</u>	<u>5,377,616</u>
Total net assets	<u>\$ 15,481,575</u>	<u>\$ 15,519,420</u>	<u>\$ 15,062,710</u>	<u>\$ 15,116,061</u>	<u>\$ 30,544,285</u>	<u>\$ 30,635,481</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2006, the City's assets exceeded liabilities by \$30,544,285. At year-end, net assets were \$15,481,575 and \$15,062,710 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 74.26% of total assets. Capital assets include land, buildings, equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2006, were \$10,890,404 and \$11,811,902 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$2,107,584, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$2,483,587 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF CANFIELD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**UNAUDITED**

The table below shows the changes in net assets for fiscal year 2006 and 2005.

	Change in Net Assets					
	Governmental Activities		Business-type Activities		2006	2005
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>Total</u>	<u>Total</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 390,726	\$ 381,781	\$ 2,218,857	\$ 2,511,895	\$ 2,609,583	\$ 2,893,676
Operating grants and contributions	646,341	1,163,843	968	-	647,309	1,163,843
Capital grants and contributions	80,082	122,729	-	27,600	80,082	150,329
Total program revenues	<u>1,117,149</u>	<u>1,668,353</u>	<u>2,219,825</u>	<u>2,539,495</u>	<u>3,336,974</u>	<u>4,207,848</u>
General revenues:						
Property taxes	533,911	474,926	-	-	533,911	474,926
Income taxes	2,351,574	2,267,813	-	-	2,351,574	2,267,813
Unrestricted grants and entitlements	289,390	253,608	-	-	289,390	253,608
Increase/decrease in fair value of investments	(5,581)	91,281	112	-	(5,469)	91,281
Investment earnings	243,576	142,147	-	-	243,576	142,147
Miscellaneous	61,330	18,125	2,010	5,269	63,340	23,394
Total general revenues	<u>3,474,200</u>	<u>3,247,900</u>	<u>2,122</u>	<u>5,269</u>	<u>3,476,322</u>	<u>3,253,169</u>
Total revenues	<u>4,591,349</u>	<u>4,916,253</u>	<u>2,221,947</u>	<u>2,544,764</u>	<u>6,813,296</u>	<u>7,461,017</u>
<b>Expenses:</b>						
General government	786,050	763,616	-	-	786,050	763,616
Security of persons and property	2,537,586	2,744,675	-	-	2,537,586	2,744,675
Public health and welfare	81,070	85,808	-	-	81,070	85,808
Leisure time activity	93,548	101,732	-	-	93,548	101,732
Community environment	96,666	83,354	-	-	96,666	83,354
Transportation	943,066	1,047,249	-	-	943,066	1,047,249
Intergovernmental	-	199,359	-	-	-	199,359
Other	725	310	-	-	725	310
Interest and fiscal charges	90,483	83,923	-	-	90,483	83,923
Water	-	-	1,075,303	1,170,657	1,075,303	1,170,657
Sewer	-	-	1,059,264	1,250,814	1,059,264	1,250,814
Storm Water	-	-	140,731	152,600	140,731	152,600
Total expenses	<u>4,629,194</u>	<u>5,110,026</u>	<u>2,275,298</u>	<u>2,574,071</u>	<u>6,904,492</u>	<u>7,684,097</u>
Increase/decrease in net assets before transfers	(37,845)	(193,773)	(53,351)	(29,307)	(91,196)	(223,080)
Transfers	-	(58,510)	-	58,510	-	-
Change in net assets	(37,845)	(252,283)	(53,351)	29,203	(91,196)	(223,080)
Net assets at beginning of year (restated)	<u>15,519,420</u>	<u>15,771,703</u>	<u>15,116,061</u>	<u>15,086,858</u>	<u>30,635,481</u>	<u>30,858,561</u>
Net assets at end of year	<u>\$ 15,481,575</u>	<u>\$ 15,519,420</u>	<u>\$ 15,062,710</u>	<u>\$ 15,116,061</u>	<u>\$ 30,544,285</u>	<u>\$ 30,635,481</u>

**CITY OF CANFIELD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**UNAUDITED**

**Governmental Activities**

Governmental activities net assets decreased \$37,845 in 2006. This decrease is a result of decreasing expenses being more than decreasing revenues versus amounts reported in the prior year.

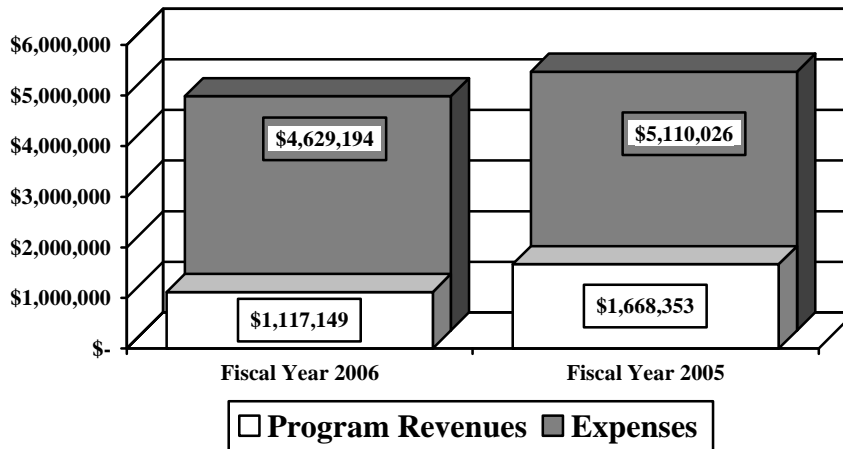
Security of persons and property which primarily supports the operations of the police department and street lights accounted for \$2,537,586 or 54.82% of the total expenses of the City. Security of persons and property expenses were partially funded by \$30,968 in direct charges to users of the services. General government expenses totaled \$786,050. General government expenses were partially funded by \$294,981 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$646,341 in operating grants and contributions and \$80,082 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, \$80,082 subsidized transportation programs.

General revenues totaled \$3,474,200, and amounted to 75.67% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,885,485. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$289,390.

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

**Governmental Activities – Program Revenues vs. Total Expenses**



**CITY OF CANFIELD, OHIO**

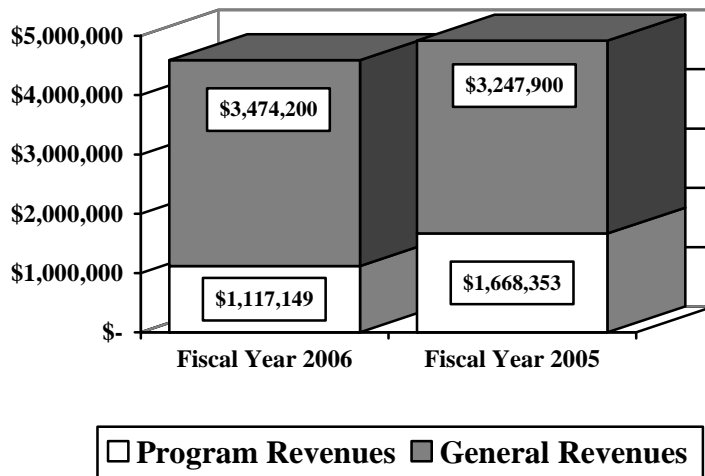
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

**Governmental Activities**

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Program Expenses:				
General government	\$ 786,050	\$ 440,360	\$ 763,616	\$ 446,829
Security of persons and property	2,537,586	2,417,770	2,744,675	2,110,682
Public health and welfare	81,070	64,635	85,808	64,596
Leisure time activity	93,548	70,669	101,732	62,643
Community environment	96,666	53,684	83,354	47,311
Transportation	943,066	373,719	1,047,249	426,020
Intergovernmental	-	-	199,359	199,359
Other	725	725	310	310
Interest and fiscal charges	<u>90,483</u>	<u>90,483</u>	<u>83,923</u>	<u>83,923</u>
<b>Total</b>	<b><u>\$ 4,629,194</u></b>	<b><u>\$ 3,512,045</u></b>	<b><u>\$ 5,110,026</u></b>	<b><u>\$ 3,441,673</u></b>

The dependence upon general revenues for governmental activities is apparent, with 75.87% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2006 and 2005.

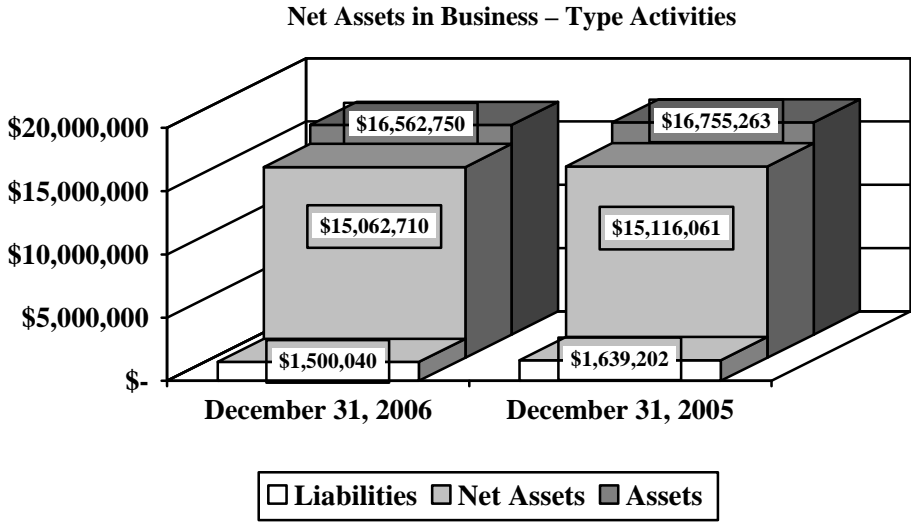
**Governmental Activities – General and Program Revenues**



**CITY OF CANFIELD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**UNAUDITED**

**Business-type Activities**

Business-type activities include the sewer, water and storm water enterprise funds. These programs had program revenues of \$2,219,825, general revenues of \$2,122 and expenses of \$2,275,298 for 2006. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$4,058,810 which is an increase of \$397,580 over last year's total of \$3,661,230.

**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2006 for all major and non-major governmental funds.

	<u>Fund Balances</u> 12/31/06	<u>Fund Balances</u> 12/31/05	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 2,243,113	\$ 1,947,477	\$ 295,636
Street Construction, Maintenance and Repair	479,010	372,364	106,646
Red Gate Debt Retirement Fund	49,962	10,949	39,013
Other Nonmajor Governmental Funds	<u>1,286,725</u>	<u>1,330,440</u>	<u>(43,715)</u>
Total	<u>\$ 4,058,810</u>	<u>\$ 3,661,230</u>	<u>\$ 397,580</u>

***General Fund***

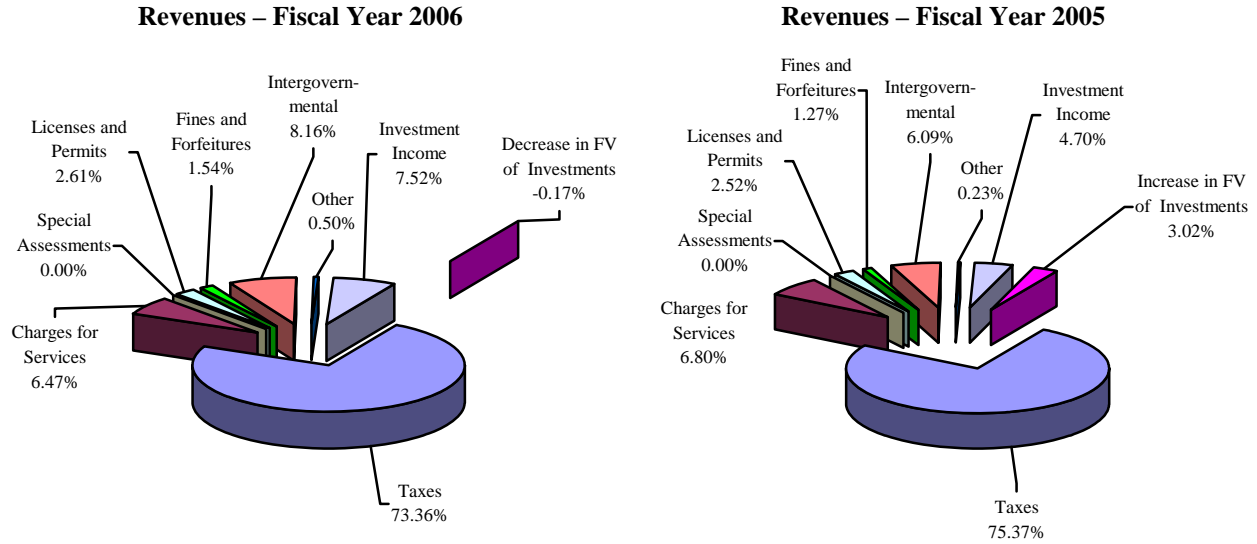
The City's general fund balance increased \$295,636. The table that follows assists in illustrating the revenues of the general fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 2,375,786	\$ 2,280,499	4.18 %
Charges for Services	209,537	205,812	1.81 %
Licenses and Permits	84,420	76,326	10.60 %
Fines and Forfeitures	49,761	38,442	29.44 %
Intergovernmental	264,340	184,220	43.49 %
Special Assessments	288	-	(100.00) %
Investment Income	243,576	142,147	71.36 %
Increase (Decrease) in FV of Investments	(5,581)	91,281	106.11 %
Other	<u>16,301</u>	<u>7,022</u>	132.14 %
Total	<u>\$ 3,238,428</u>	<u>\$ 3,025,749</u>	7.03 %

Tax revenue represents 73.36% of all general fund revenue. Tax revenue increased 4.18% over prior year. The increase in intergovernmental revenue is due to an increase in the number of grants the City received. The increase in investment income and the fair market value of investments is due to the amount of funds in the City's investment portfolio throughout the year.



**CITY OF CANFIELD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**UNAUDITED**



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

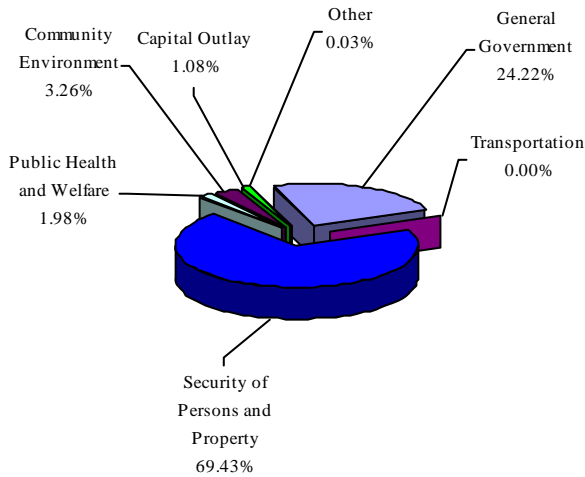
	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 692,748	\$ 695,791	(0.44)
Security of persons and property	1,985,828	1,916,752	3.60
Public health and welfare	56,751	55,717	1.86
Community environment	93,170	83,485	11.60
Transportation	-	1,324	(100.00)
Other	725	310	100.00
Capital outlay	30,931	351,874	(91.21)
<b>Total</b>	<u>\$ 2,860,153</u>	<u>\$ 3,105,253</u>	(7.89)

The City decreased total expenditures by 7.89%. The largest expenditure line item, security of persons and property, increased slightly, which is primarily attributed to wage and benefit increases.

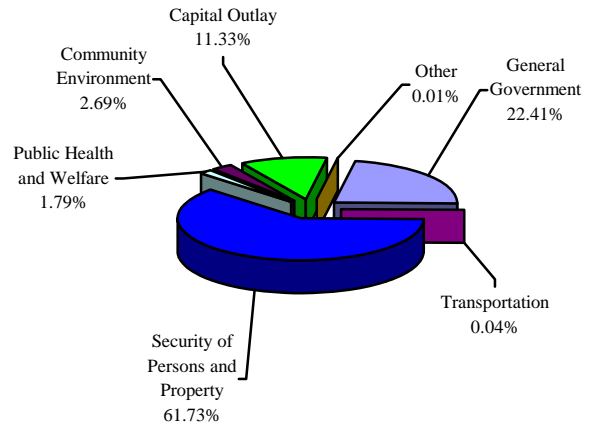
**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

**Expenditures - Fiscal Year 2006**



**Expenditures - Fiscal Year 2005**



***Budgeting Highlights***

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

Budgetary information is presented for the general fund and the street construction maintenance and repair fund. In the general fund, the actual revenues and other financing sources came in \$101,285 higher than they were in the final budget and actual expenditures and other financing uses were \$363,112 less than the amount in the final budget. Budgeted expenditures were increased \$67,090 from the original to the final budget. Budgeted revenues were the same in the original and the final budget.

***Street Construction Maintenance and Repair Fund***

The street construction maintenance and repair fund had revenues and other financing sources of \$971,769 in 2006. The expenditures and other financing uses of the street construction maintenance and repair fund, totaled \$865,123 in 2006. The net increase in fund balance for the street construction maintenance and repair fund was \$106,646 or 28.64%.

***Red Gate Debt Retirement Fund***

The Red Gate debt retirement fund had revenues and other financing sources of \$1,391,007 in 2006. The expenditures and other financing uses of the Red Gate debt retirement fund, totaled \$1,351,994 in 2006. The net increase in fund balance for the Red Gate debt retirement fund was \$39,013 or 356.32%.

**CITY OF CANFIELD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**UNAUDITED**

***Proprietary Funds***

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. All of the City's enterprise funds are considered major funds. The Water fund had operating revenues of \$942,561 and operating expenses of \$1,059,326 for 2006. The Water fund net assets decreased \$132,630 in 2006. The Sewer fund had operating revenues of \$1,118,566 and operating expenses of \$1,043,310 for 2006. The Sewer fund net assets increased \$59,302 in 2006. The Storm Water fund had operating revenues of \$159,740 and operating expenses of \$140,731 for 2006. The Storm Water fund net assets increased \$19,977 in 2006.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2006, the City had \$26,005,459 (net of accumulated depreciation) invested in land, buildings, equipment, vehicles, infrastructure, and construction in progress (CIP). Of this total, \$12,920,763 was reported in governmental activities and \$13,084,696 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows fiscal 2006 balances compared to 2005:

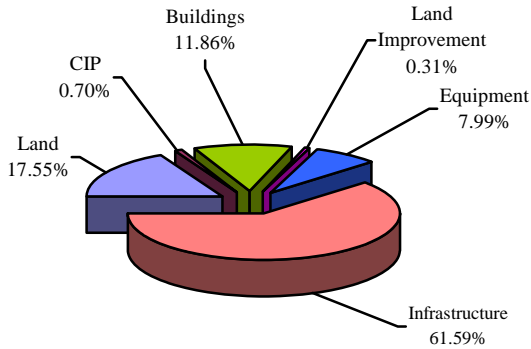
**Capital Assets at December 31**  
**(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 2,267,375	\$ 2,267,375	\$ 9,140	\$ 9,140	\$ 2,276,515	\$ 2,276,515
Construction in progress	90,789	7,906	115,866	171,125	206,655	179,031
Buildings	1,532,434	1,581,886	1,040,444	1,071,398	2,572,878	2,653,284
Land improvements	40,052	42,618	-	-	40,052	42,618
Equipment	1,032,098	1,433,564	100,426	127,215	1,132,524	1,560,779
Infrastructure	<u>7,958,015</u>	<u>8,182,225</u>	<u>11,818,820</u>	<u>11,987,055</u>	<u>19,776,835</u>	<u>20,169,280</u>
Totals	<u>\$ 12,920,763</u>	<u>\$ 13,515,574</u>	<u>\$ 13,084,696</u>	<u>\$ 13,365,933</u>	<u>\$ 26,005,459</u>	<u>\$ 26,881,507</u>

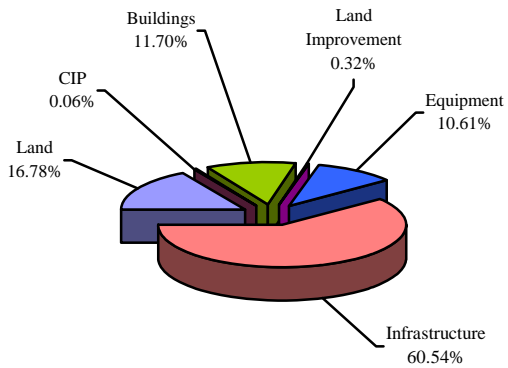
**CITY OF CANFIELD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**UNAUDITED**

The following graphs show the breakdown of governmental capital assets by category for 2006 and 2005.

**Capital Assets - Governmental Activities 2006**



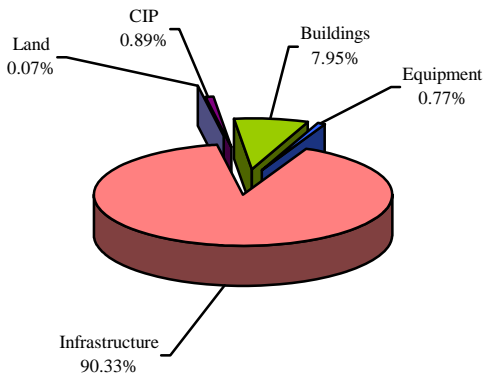
**Capital Assets - Governmental Activities 2005**



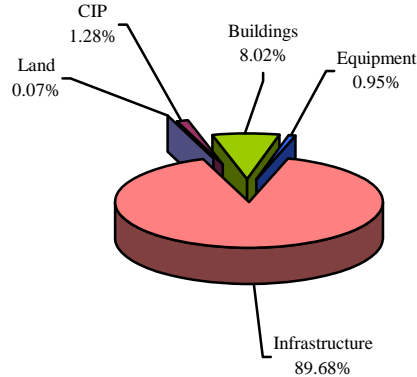
The City's infrastructure is the largest governmental activities capital asset category, which includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 61.59% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2006 and 2005.

**Capital Assets - Business-Type Activities 2006**



**Capital Assets - Business-Type Activities 2005**



The City's largest business-type capital asset category is infrastructure, which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 90.33% of the City's total business-type capital assets.

**CITY OF CANFIELD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**UNAUDITED**

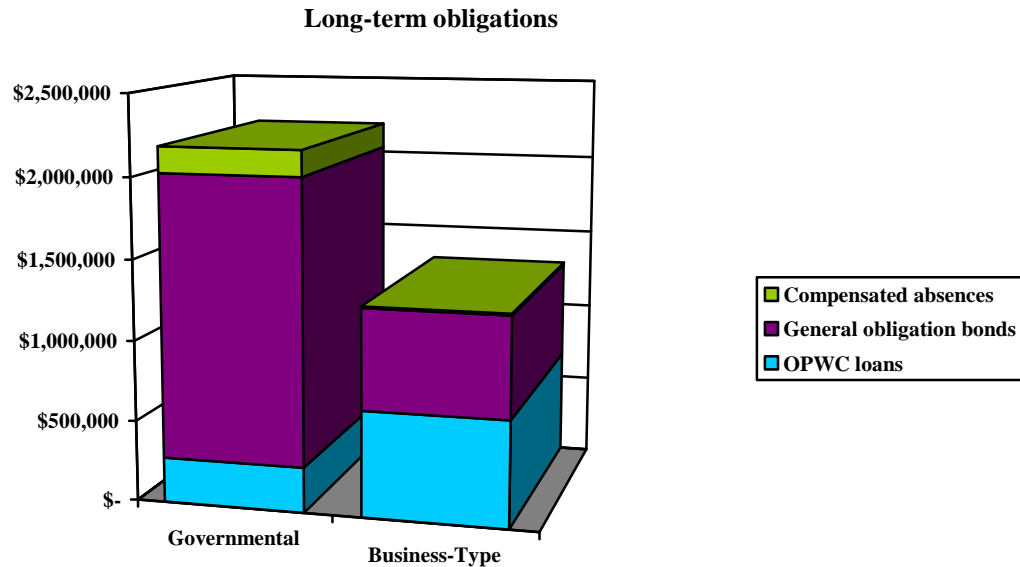
***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2006 and 2005:

<b>Governmental Activities</b>		
	<u>2006</u>	<u>2005</u>
OPWC loans	\$ 280,360	\$ 316,435
General obligation bonds	1,750,000	1,937,500
Compensated absences	<u>159,760</u>	<u>160,333</u>
Total long-term obligations	<u>\$ 2,190,120</u>	<u>\$ 2,414,268</u>

<b>Business-type Activities</b>		
	<u>2006</u>	<u>2005</u>
OPWC loans	\$ 654,793	\$ 695,959
General obligation bonds	618,000	723,500
Compensated absences	<u>10,743</u>	<u>24,572</u>
Total long-term obligations	<u>\$ 1,283,536</u>	<u>\$ 1,444,031</u>

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



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

## CITY OF CANFIELD, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 UNAUDITED

#### **Economic Conditions and Outlook**

The City of Canfield continues to grow, thriving as a small and attractive planned community of approximately 7,500 residents. A comfortable and secure residential environment, combined with a healthy business community, enables the City to retain a strong financial standing with minimal debt.

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

In addition to ongoing utility improvements, the City is in the process of improving the streetscapes via beautification of SR46 (Broad Street), as well as ongoing programs to maintain and improve other thoroughfares, parks and recreation amenities and the overall appearance of the City.

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

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

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

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

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

#### **Contacting the City's Financial Management**

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

**CITY OF CANFIELD**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,421,045	\$ 2,928,180	\$ 6,349,225
Investments	399,273	112	399,385
Receivables (Net of Allowance for Uncollectibles)			
Income Taxes	588,883	0	588,883
Real and Other Taxes	568,039	0	568,039
Accounts	81,162	504,001	585,163
Special Assessments	14,554	0	14,554
Due From Other Governments	413,062	27,600	440,662
Prepayments	51,574	18,161	69,735
Capital Assets			
Land and Construction in Progress	2,358,164	125,006	2,483,170
Depreciable Capital Assets, net	10,562,599	12,959,690	23,522,289
Total Capital Assets	<u>12,920,763</u>	<u>13,084,696</u>	<u>26,005,459</u>
<b>Total Assets</b>	<u>18,458,355</u>	<u>16,562,750</u>	<u>35,021,105</u>
<b>Liabilities:</b>			
Accounts Payable	42,944	57,726	100,670
Accrued Wages and Benefits	71,155	6,634	77,789
Due to Other Governments	140,345	149,731	290,076
Deferred Revenue	525,202	0	525,202
Accrued Interest Payable	7,014	2,413	9,427
Long-term Liabilities:			
Due Within One Year	194,441	127,210	321,651
Due in More Than One Year	1,995,679	1,156,326	3,152,005
<b>Total Liabilities</b>	<u>2,976,780</u>	<u>1,500,040</u>	<u>4,476,820</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	10,890,404	11,811,902	22,702,306
Restricted for:			
Capital Projects	474,036	0	474,036
Debt Service	443,531	0	443,531
Security of Persons & Property	48,410	0	48,410
Public Health	2,425	0	2,425
Transportation	717,312	0	717,312
Leisuretime Activities	132,659	0	132,659
Other Purposes	102,461	0	102,461
Perpetual Care			
Expendable	99,350	0	99,350
Non-Expendable	87,400	0	87,400
Unrestricted	<u>2,483,587</u>	<u>3,250,808</u>	<u>5,734,395</u>
<b>Total Net Assets</b>	<u><b>\$ 15,481,575</b></u>	<u><b>\$ 15,062,710</b></u>	<u><b>\$ 30,544,285</b></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ (786,050)	\$ 294,981	\$ 50,709	\$ -	\$ (440,360)	\$ -	\$ (440,360)
Security of Persons and Property	(2,537,586)	30,968	88,848	0	(2,417,770)	0	(2,417,770)
Public Health and Welfare	(81,070)	9,965	6,470	0	(64,635)	0	(64,635)
Leisure Time Activities	(93,548)	11,830	11,049	0	(70,669)	0	(70,669)
Community Environment	(96,666)	42,982	0	0	(53,684)	0	(53,684)
Transportation	(943,066)	0	489,265	80,082	(373,719)	0	(373,719)
Intergovernmental	0	0	0	0	0	0	0
Other	(725)	0	0	0	(725)	0	(725)
Interest and Fiscal Charges	(90,483)	0	0	0	(90,483)	0	(90,483)
<b>Total Governmental Activities</b>	<b>(4,629,194)</b>	<b>390,726</b>	<b>646,341</b>	<b>80,082</b>	<b>(3,512,045)</b>	<b>0</b>	<b>(3,512,045)</b>
<b>Business-type Activities:</b>							
Water	(1,075,303)	940,575	0	0	0	(134,728)	(134,728)
Sewer	(1,059,264)	1,118,546	0	0	0	59,282	59,282
Storm	(140,731)	159,736	968	0	0	19,973	19,973
<b>Total Business-type Activities</b>	<b>(2,275,298)</b>	<b>2,218,857</b>	<b>968</b>	<b>0</b>	<b>0</b>	<b>(55,473)</b>	<b>(55,473)</b>
<b>Total Primary Government</b>	<b>\$ (6,904,492)</b>	<b>\$ 2,609,583</b>	<b>\$ 647,309</b>	<b>\$ 80,082</b>	<b>(3,512,045)</b>	<b>(55,473)</b>	<b>(3,567,518)</b>
<b>General Revenues:</b>							
Property Taxes Levied for:							
Street Construction, Maintenance and Repair					409,332	0	409,332
Debt Retirement					124,579	0	124,579
Income Taxes Levied for:							
General Purposes					2,351,574	0	2,351,574
Grants and Entitlements Not Restricted to Specific Programs					289,390	0	289,390
Increase (Decrease) in Fair Value of Investments					(5,581)	112	(5,469)
Investment Earnings					243,576	0	243,576
Miscellaneous					61,330	2,010	63,340
<b>Total General Revenues</b>					<b>3,474,200</b>	<b>2,122</b>	<b>3,476,322</b>
Transfers					0	0	0
Change in Net Assets					(37,845)	(53,351)	(91,196)
<b>Net Assets at Beginning of Year</b>					<b>15,519,420</b>	<b>15,116,061</b>	<b>30,635,481</b>
<b>Net Assets at End of Year</b>					<b>\$ 15,481,575</b>	<b>\$ 15,062,710</b>	<b>\$ 30,544,285</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF CANFIELD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<b>General</b>	<b>Street Construction Maintenance and Repair</b>	<b>Red Gate Debt Retirement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,652,443	\$ 447,037	\$ 49,800	\$ 1,271,765	\$ 3,421,045
Investments	399,273	0	0	0	399,273
Receivables (Net of Allowance for Uncollectibles)					
Income Taxes	588,883	0	0	0	588,883
Real and Other Taxes	0	434,696	85,720	47,623	568,039
Accounts	58,283	37	0	22,840	81,160
Interfund Loans	3,459	0	0	0	3,459
Special Assessments	0	0	0	14,554	14,554
Due From Other Governments	96,784	213,705	4,817	97,756	413,062
Prepayments	40,785	8,438	0	2,351	51,574
Total Assets	<u>\$ 2,839,910</u>	<u>\$ 1,103,913</u>	<u>\$ 140,337</u>	<u>\$ 1,456,889</u>	<u>\$ 5,541,049</u>
<b>Liabilities:</b>					
Accounts Payable	\$ 15,462	\$ 26,068	\$ -	\$ 1,414	\$ 42,944
Accrued Wages and Benefits	63,264	6,813	0	1,078	71,155
Interfund Loan Payable	0	0	0	3,459	3,459
Due to Other Governments	134,715	4,945	0	685	140,345
Deferred Revenue	383,356	587,077	90,375	163,528	1,224,336
Total Liabilities	<u>596,797</u>	<u>624,903</u>	<u>90,375</u>	<u>170,164</u>	<u>1,482,239</u>
<b>Fund Balances:</b>					
Reserved for Encumbrances	65,973	30,736	0	87,783	184,492
Reserved for Prepayments	40,785	8,438	0	2,351	51,574
Reserved for Unclaimed Monies	2,259	0	0	0	2,259
Reserved for Perpetual Care	0	0	0	87,400	87,400
Designated for Parks and Village Green	0	0	0	100,000	100,000
Unreserved, Undesignated, Reported In:					
General Fund	2,134,096	0	0	0	2,134,096
Special Revenue Funds	0	439,836	0	217,350	657,186
Debt Service Funds	0	0	49,962	383,347	433,309
Capital Projects Funds	0	0	0	310,131	310,131
Permanent Funds	0	0	0	98,363	98,363
Total Fund Balances:	<u>2,243,113</u>	<u>479,010</u>	<u>49,962</u>	<u>1,286,725</u>	<u>4,058,810</u>
Total Liabilities and Fund Balances	<u>\$ 2,839,910</u>	<u>\$ 1,103,913</u>	<u>\$ 140,337</u>	<u>\$ 1,456,889</u>	<u>\$ 5,541,049</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2006

<b>Total Governmental Fund Balances</b>	\$	4,058,810
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*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,920,763
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Income Taxes	\$	282,702	
Real and Other Taxes		42,836	
Charges for Services		33,894	
Special Assessments		15,014	
Intergovernmental		316,550	
Other		8,140	
 Total			699,136

In the statement of activities interest is accrued on outstanding bonds, notes and loans payable, whereas in governmental funds, interest expenditures are reported when due.		(7,014)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:

Compensated Absences		(159,760)	
General Obligation Bonds Payable		(1,750,000)	
OPWC Loans Payable		(280,360)	
 Total			(2,190,120)

<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>15,481,575</u></b>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>General</b>	<b>Street Construction, Maintenance Repair</b>	<b>Red Gate Debt Retirement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Income Taxes	\$ 2,375,786	\$ -	\$ -	\$ -	\$ 2,375,786
Real and Other Taxes	0	411,492	80,509	44,727	536,728
Other Local Taxes	0	64,797	0	0	64,797
Special Assessments	288	0	0	24,131	24,419
Charges for Services	209,537	0	0	21,794	231,331
Licenses and Permits	84,420	0	0	0	84,420
Fines and Forfeitures	49,761	0	0	0	49,761
Intergovernmental	264,340	435,287	10,498	186,980	897,105
Investment Income	243,576	19,285	0	19,368	282,229
Decrease in FV of Investments	(5,581)	0	0	0	(5,581)
Other	16,301	40,908	0	53,299	110,508
<b>Total Revenues</b>	<b>3,238,428</b>	<b>971,769</b>	<b>91,007</b>	<b>350,299</b>	<b>4,651,503</b>
<b>Expenditures:</b>					
Current:					
General Government	692,748	0	0	16,034	708,782
Security of Persons and Property	1,985,828	0	0	60,822	2,046,650
Public Health and Welfare	56,751	0	0	21,382	78,133
Leisuretime Activities	0	0	0	76,332	76,332
Community Environment	93,170	0	0	0	93,170
Transportation	0	654,990	0	17,025	672,015
Other	725	0	0	0	725
Capital Outlay	30,931	28,823	0	208,911	268,665
Debt Service:					0
Principal Retirement	0	0	1,300,000	223,575	1,523,575
Interest & Fiscal Charges	0	0	51,994	37,243	89,237
<b>Total Expenditures</b>	<b>2,860,153</b>	<b>683,813</b>	<b>1,351,994</b>	<b>661,324</b>	<b>5,557,284</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>378,275</b>	<b>287,956</b>	<b>(1,260,987)</b>	<b>(311,025)</b>	<b>(905,781)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	3,361	0	0	0	3,361
Proceeds From the Sale of Public Debt	0	0	1,300,000	0	1,300,000
Transfers in	0	0	0	267,310	267,310
Transfers out	(86,000)	(181,310)	0	0	(267,310)
<b>Total Other Financing Sources (Uses)</b>	<b>(82,639)</b>	<b>(181,310)</b>	<b>1,300,000</b>	<b>267,310</b>	<b>1,303,361</b>
<b>Net Change in Fund Balance</b>	<b>295,636</b>	<b>106,646</b>	<b>39,013</b>	<b>(43,715)</b>	<b>397,580</b>
<b>Fund Balances at the Beginning of the Year</b>	<b>1,947,477</b>	<b>372,364</b>	<b>10,949</b>	<b>1,330,440</b>	<b>3,661,230</b>
<b>Fund Balances at End of the Year</b>	<b>\$ 2,243,113</b>	<b>\$ 479,010</b>	<b>\$ 49,962</b>	<b>\$ 1,286,725</b>	<b>\$ 4,058,810</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD**

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, 2006

**Net Change in Fund Balances - Total Governmental Funds** **\$ 397,580**

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

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

Capital Asset Additions	\$ 268,665	
Current Year Depreciation	(483,386)	

Total		(214,721)
-------	--	-----------

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

(380,090)

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

Income Taxes	(24,211)	
Real and Other Taxes	(2,818)	
Charges for Services	(951)	
Special Assessments	1,747	
Intergovernmental Revenues	(38,521)	
Other	1,238	

Total		(63,516)
-------	--	----------

Issuance of debt is recorded as revenue in the funds, however, in the statement of activities they are not reported as other financing sources as they increase liabilities in the statement of net assets.

(1,300,000)

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

1,523,575

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

(1,246)

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

573

**Change in Net Assets of Governmental Activities** **\$ (37,845)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

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

**GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Income Taxes	\$ 2,251,000	\$ 2,251,000	\$ 2,368,030	\$ 117,030
Charges for Services	206,688	206,688	209,538	2,850
Licenses and Permits	77,840	77,840	83,205	5,365
Fines and Forfeitures	39,410	39,410	50,013	10,603
Intergovernmental	174,905	174,905	250,532	75,627
Special Assessments			288	288
Investment Income	152,295	152,295	243,576	91,281
Other	8,709	8,709	17,551	8,842
<b>Total Revenues</b>	<u>2,910,847</u>	<u>2,910,847</u>	<u>3,222,733</u>	<u>311,886</u>
<b>Expenditures:</b>				
Current:				
General Government	881,404	899,409	749,601	149,808
Security of Persons and Property	2,302,085	2,339,230	2,141,644	197,586
Public Health and Welfare	115,753	115,753	112,445	3,308
Community Environment	93,556	102,496	97,674	4,822
Other Uses	24,809	24,809	22,041	2,768
Other				
Capital Outlay	43,386	46,386	41,566	4,820
<b>Total Expenditures</b>	<u>3,460,993</u>	<u>3,528,083</u>	<u>3,164,971</u>	<u>363,112</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(550,146)</u>	<u>(617,236)</u>	<u>57,762</u>	<u>674,998</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	386,000	386,000	3,361	(382,639)
Advances In	0	0	172,038	172,038
Transfers Out	(86,000)	(86,000)	(86,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>300,000</u>	<u>300,000</u>	<u>89,399</u>	<u>(210,601)</u>
Net Change in Fund Balance	(250,146)	(317,236)	147,161	464,397
<b>Fund Balance at Beginning of Year</b>	<b>904,097</b>	<b>904,097</b>	<b>904,097</b>	0
<b>Prior Year Encumbrances Appropriated</b>	<b>320,408</b>	<b>320,408</b>	<b>320,408</b>	0
<b>Fund Balance at End of Year</b>	<u><b>\$ 974,359</b></u>	<u><b>\$ 907,269</b></u>	<u><b>\$ 1,371,666</b></u>	<u><b>\$ 464,397</b></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
**STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Real Estate Taxes	\$ 407,152	\$ 407,152	\$ 411,492	\$ 4,340
Other Local Taxes	64,000	64,000	67,181	3,181
Intergovernmental	402,777	402,777	441,150	38,373
Investment Income	9,000	9,000	19,285	10,285
Other	385	385	40,909	40,524
<b>Total Revenues</b>	<b>883,314</b>	<b>883,314</b>	<b>980,017</b>	<b>96,703</b>
<b>Expenditures:</b>				
Current:				
Transportation	800,110	801,750	713,888	87,862
Other				
Capital Outlay	36,909	44,909	31,828	13,081
<b>Total Expenditures</b>	<b>837,019</b>	<b>846,659</b>	<b>745,716</b>	<b>100,943</b>
Excess of Revenues Over Expenditures	46,295	36,655	234,301	197,646
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	0	0	0
Advances In	0	0	167,689	167,689
Transfers Out	(172,300)	(181,310)	(181,310)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(172,300)</b>	<b>(181,310)</b>	<b>(13,621)</b>	<b>167,689</b>
Net Change in Fund Balance	(126,005)	(144,655)	220,680	365,335
<b>Fund Balance at Beginning of Year</b>	<b>118,382</b>	<b>118,382</b>	<b>118,382</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>39,505</b>	<b>39,505</b>	<b>39,505</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$ 31,882</b>	<b>\$ 13,232</b>	<b>\$ 378,567</b>	<b>\$ 365,335</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2006

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm</b>	<b>Total</b>
<b>Assets:</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,946,827	\$ 639,140	\$ 342,213	\$ 2,928,180
Investments	112	0	0	112
Receivables (Net of Allowance for Uncollectibles)				
Accounts	203,158	264,777	36,066	504,001
Due From Other Governments	0	0	27,600	27,600
Prepayments	13,135	3,307	1,719	18,161
Total Current Assets	<u>2,163,232</u>	<u>907,224</u>	<u>407,598</u>	<u>3,478,054</u>
Noncurrent Assets:				
Capital Assets				
Land and Construction in Progress	22,323	5,790	96,893	125,006
Depreciable Capital Assets, Net	5,551,487	4,230,356	3,177,847	12,959,690
Total Capital Assets	<u>5,573,810</u>	<u>4,236,146</u>	<u>3,274,740</u>	<u>13,084,696</u>
Total Noncurrent Assets	<u>5,573,810</u>	<u>4,236,146</u>	<u>3,274,740</u>	<u>13,084,696</u>
Total Assets	<u>7,737,042</u>	<u>5,143,370</u>	<u>3,682,338</u>	<u>16,562,750</u>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts Payable	16,275	1,357	40,094	57,726
Accrued Wages and Benefits	3,811	1,958	865	6,634
Due to Other Governments	99,523	49,635	573	149,731
Compensated Absences	5,038	2,686	1,820	9,544
Current Portion of General Obligation Bonds	50,500	26,000	0	76,500
Current Portion of OPWC Loans	0	41,166	0	41,166
Accrued Interest Payable	1,281	1,132	0	2,413
Total Current Liabilities	<u>176,428</u>	<u>123,934</u>	<u>43,352</u>	<u>343,714</u>
Long-term Liabilities:				
General Obligation Bonds	277,500	264,000	0	541,500
OPWC Loans	0	613,627	0	613,627
Compensated Absences	1,199	0	0	1,199
Total Long-term Liabilities	<u>278,699</u>	<u>877,627</u>	<u>0</u>	<u>1,156,326</u>
Total Liabilities	<u>455,127</u>	<u>1,001,561</u>	<u>43,352</u>	<u>1,500,040</u>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	5,245,810	3,291,352	3,274,740	11,811,902
Unrestricted	<u>2,036,105</u>	<u>850,457</u>	<u>364,246</u>	<u>3,250,808</u>
Total Net Assets	<u>\$ 7,281,915</u>	<u>\$ 4,141,809</u>	<u>\$ 3,638,986</u>	<u>\$ 15,062,710</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm</b>	<b>Total</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 940,575	\$ 1,118,546	\$ 159,736	\$ 2,218,857
Other	1,986	20	4	2,010
Total Operating Revenues	942,561	1,118,566	159,740	2,220,867
<b>Operating Expenses:</b>				
Personal Services	152,785	130,786	27,388	310,959
Contractual Services	633,613	715,309	7,266	1,356,188
Supplies and Materials	10,269	5,332	4,631	20,232
Other	59,821	59,544	13,667	133,032
Depreciation	202,838	132,339	87,779	422,956
Total Operating Expenses	1,059,326	1,043,310	140,731	2,243,367
Operating Income (Loss)	(116,765)	75,256	19,009	(22,500)
<b>Nonoperating Revenues (Expenses):</b>				
Interest and Fiscal Charges	(15,977)	(15,954)	0	(31,931)
Increase in FV of Investments	112			112
Intergovernmental Revenue	0	0	968	968
Total Nonoperating Revenues (Expenses)	(15,865)	(15,954)	968	(30,851)
Income (Loss)/Changes in Net Assets	(132,630)	59,302	19,977	(53,351)
<b>Net Assets at Beginning of Year</b>	<b>7,414,545</b>	<b>4,082,507</b>	<b>3,619,009</b>	<b>15,116,061</b>
<b>Net Assets at End of Year</b>	<b>\$ 7,281,915</b>	<b>\$ 4,141,809</b>	<b>\$ 3,638,986</b>	<b>\$ 15,062,710</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



CITY OF CANFIELD, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$ 1,003,962	\$ 1,210,142	\$ 172,377	\$ 2,386,481
Cash Received from Other Operations	2,013	56	8	2,077
Cash Payments for Personal Services	(160,922)	(148,280)	(28,035)	(337,237)
Cash Payments for Contractual Services	(628,562)	(719,399)	(15,563)	(1,363,524)
Cash Payments for Supplies and Materials	(10,269)	(5,193)	(4,621)	(20,083)
Cash Payments for Other Expenses	(59,274)	(59,544)	(13,667)	(132,485)
Net Cash Provided by Operating Activities	<u>146,948</u>	<u>277,782</u>	<u>110,499</u>	<u>535,229</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Subsidy From Federal Grant			968	968
Net Cash Used in Non-Capital Financing Activities	<u>0</u>	<u>0</u>	<u>968</u>	<u>968</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Aquisition of Capital Assets	(43,718)	(1,158)	(43,748)	(88,624)
Principal Retirement	(50,500)	(96,166)	0	(146,666)
Interest and Fiscal Charges	(16,174)	(16,243)	0	(32,417)
Net Cash Used in Capital and Related Financing Activities	<u>(110,392)</u>	<u>(113,567)</u>	<u>(43,748)</u>	<u>(267,707)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	36,556	164,215	67,719	268,490
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b><u>1,910,271</u></b>	<b><u>474,925</u></b>	<b><u>274,494</u></b>	<b><u>2,659,690</u></b>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 1,946,827</u></b>	<b><u>\$ 639,140</u></b>	<b><u>\$ 342,213</u></b>	<b><u>\$ 2,928,180</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating Income (Loss)	\$ (116,765)	\$ 75,256	\$ 19,009	\$ (22,500)
Adjustments:				
Depreciation	202,838	132,339	87,779	422,956
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	63,416	91,633	12,644	167,693
Decrease in Prepayments	4,955	7,132	97	12,184
Increase/(Decrease) in Accrued Wages and Benefits	(1,007)	(3,095)	12	(4,090)
Increase/(Decrease) in Due to Other Governments	5,773	(17,655)	(849)	(12,731)
Increase/(Decrease) in Compensated Absences Payable	(4,733)	(9,112)	14	(13,831)
Increase/(Decrease) in Accounts Payable	(7,529)	1,284	(8,207)	(14,452)
Net Cash Provided by Operating Activities	<u>\$ 146,948</u>	<u>\$ 277,782</u>	<u>\$ 110,499</u>	<u>\$ 535,229</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
Increase in Fair Value on Investments	112	0	0	112
Capital Assets Purchased on Account	12,993	33	40,067	53,093

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2006

	<b>Private Purpose Trust</b>	<b>Agency</b>
	<u>          </u>	<u>          </u>
<b>Assets:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 27,855	\$ 119,426
Total Current Assets	<u>27,855</u>	<u>119,426</u>
 Total Assets	 <u>27,855</u>	 <u>119,426</u>
 <b>Liabilities:</b>		
Current Liabilities:		
Deposits Held and Due to Others	0	119,426
Total Current Liabilities	<u>0</u>	<u>119,426</u>
 Total Liabilities	 <u>0</u>	 <u>119,426</u>
 <b>Net Assets:</b>		
Held in Trust for Other Purposes	<u>27,855</u>	<u>0</u>
 Total Net Assets	 <u>\$ 27,855</u>	 <u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF CHANGES IN NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## CITY OF CANFIELD, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

#### **NOTE 1 - DESCRIPTION OF THE CITY**

The City of Canfield (the "City") was incorporated under the laws of the State of Ohio in 1852, and adopted its first charter in 1968. The form of government provided in this Charter is known as the "Council-Manager Plan." The Charter provides for a council of five members consisting of the Mayor and four other persons elected from the City at large. All members of the Council are elected for overlapping terms of four years. The Mayor does not serve as President of the Council and does not have any veto power over the actions of the Council.

The Manager is appointed by the Council and is the chief executive, administrative and law enforcement officer of the City. The Director of Finance is appointed by the Manager, with the approval of Council. The Director of Finance is the fiscal officer of the City.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **A. Reporting Entity**

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

The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Canfield, this includes police protection, street maintenance and repairs, planning and zoning, parks and recreation, water and wastewater. The operation of each of these activities is directly controlled by Council through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

Prior to 1990, the Fire Department of Canfield was solely operated by the City. The Cardinal Joint Fire district is a jointly managed organization with the Township of Canfield. The City and Township appoint two each of the five member board. The fifth board member is selected by the other four members. The Cardinal Joint Fire District is supported by its own millage.

The Canfield City School District has been excluded from the reporting entity because the City is not financially accountable for this organization nor does the City approve the budget, the levying of taxes or the issuance of debt for this organization.

**B. Basis of Presentation - Fund Accounting**

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

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

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

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

**C. Fund Accounting**

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

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

*General Fund* - The general fund accounts for all financial resources except those required to be accounted for in another fund. This includes, but is not limited to, police and fire protection, public health activities, cemetery, and the general administration of City functions.

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

*Red Gate Debt Retirement Fund* - This fund accounts for revenues generated from property taxes to be used to pay principal and interest on the Red Gate debt.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; and (b) for grants and other resources whose use is restricted to a particular purpose.

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

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

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

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

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

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

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

*Private Purpose Trust Funds*

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

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

**E. Basis of Accounting**

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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



**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

**F. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

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

***Estimated Resources*** - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Finance Director determines, and the Budget Commission agrees, that an estimates need to be either increased or decreased.

***Appropriations*** - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council.

***Lapsing of Appropriations*** - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

**G. Encumbrances**

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

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

**H. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents and Investments" on the financial statements.

During 2006, investments were limited to a repurchase agreement, investments in State Treasury Asset Reserve of Ohio (STAR Ohio), and common stock. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2006.

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

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2006 amounted to \$243,576, which included \$187,255 assigned from other funds of the City.

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

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

**I. Capital Assets**

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

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

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

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

**J. Compensated Absences**

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Interfund Balances**

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

**M. Interfund Activity**

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

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

**N. Fund Balance Reserves and Designations**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, prepayments, unclaimed monies and perpetual care in the governmental fund financial statements. A fund balance designation is reported for parks and village green future expenditures.

**O. Estimates**

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

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

**P. Contributions of Capital**

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

**Q. Net Assets**

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

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

**R. Operating Revenues and Expenses**

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

**S. Extraordinary Item**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2006.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2006, the City has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the City as previously reported at December 31, 2005.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balance**

Fund balances at December 31, 2006 included the following individual fund deficit:

<u>Non-Major Fund</u>	<u>Deficit</u>
MVLETF HIDTA Fund	\$ 3,194

The funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in a fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At December 31, 2006, the carrying amount of all City deposits was \$(180,283), exclusive of the \$1,506,356 in repurchase agreements included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of City's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, the City's bank balance of \$80,187 was covered by Federal Deposit Insurance Corporation.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

Custodial credit risk 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. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' 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 FDIC.

**B. Investments**

As of December 31, 2006 the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Anthem Stock	\$ 399,385	\$ -
Repurchase Agreements	1,506,356	1,506,356
STAR Ohio	<u>5,170,433</u>	<u>5,170,433</u>
Total	<u>\$ 7,076,174</u>	<u>\$ 6,676,789</u>

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

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$1,506,356 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2006:



**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Anthem Stock	\$ 399,385	5.64%
Repurchase Agreements	1,506,356	21.29%
STAR Ohio	<u>5,170,433</u>	<u>73.07%</u>
Total	<u>\$ 7,076,174</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ (180,283)
Investments	<u>7,076,174</u>
Total	<u>\$ 6,895,891</u>
<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,820,318
Business type activities	2,928,292
Private purpose trust funds	27,855
Agency funds	<u>119,426</u>
Total	<u>\$ 6,895,891</u>

**NOTE 5 - INTERFUNDS**

- A. Interfund transfers for the year ended December 31, 2006, consisted of the following, as reported on the fund financial statements:

<b>Transfers to Nonmajor Governmental Funds from:</b>	
General Fund	\$ 86,000
Street Construction, Maintenance and Repair	<u>181,310</u>
Total Transfers to Nonmajor Governmental Funds	<u>267,310</u>
Total Transfers	<u>\$ 267,310</u>

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

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 5 - INTERFUNDS - (Continued)**

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

- B.** Interfund loans consisted of the following at December 31, 2006, as reported on the fund financial statements.

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 3,459
		\$ 3,459

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

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2002. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 25 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Mahoning County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City. The Mahoning County Auditor periodically remits to the City its portion of the taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively. The full tax rate for all City operations for the year ended December 31, 2006 \$3.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 6 - PROPERTY TAXES - (Continued)**

Real property tax	\$ 187,543,720
Public utility tangible personal property	2,875,670
Tangible personal property	<u>7,070,625</u>
Total assessed valuation	<u>\$ 197,490,015</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2006. Although total property tax collections for the next year are measurable, they are generally not collected during the available period.

**NOTE 7 - LOCAL INCOME TAX**

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

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

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

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

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

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

Income tax proceeds are received by the general fund.

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2006, consisted of taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2006.

A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Income taxes	\$ 588,883
Real and other taxes	568,039
Accounts	81,162
Special assessments	14,554
Due from other governments	413,062

**Business-type Activities:**

Accounts	504,001
Due from other governments	27,600

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended December 31, 2006, was as follows:

<b><u>Governmental Activities:</u></b>	<u>Balance</u> <u>1/01/06</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/06</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,267,375	\$ -	\$ -	\$ 2,267,375
Construction in progress	<u>7,906</u>	<u>89,613</u>	<u>(6,730)</u>	<u>90,789</u>
Total capital assets, not being depreciated	<u>2,275,281</u>	<u>89,613</u>	<u>(6,730)</u>	<u>2,358,164</u>
<i>Capital assets, being depreciated:</i>				
Buildings	3,085,223	7,539	-	3,092,762
Land improvements	63,275	53	-	63,328
Equipment	3,502,628	169,667	(845,600)	2,826,695
Infrastructure	<u>13,063,520</u>	<u>8,523</u>	<u>-</u>	<u>13,072,043</u>
Total capital assets, being depreciated	<u>19,714,646</u>	<u>185,782</u>	<u>(845,600)</u>	<u>19,054,828</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(1,503,337)	(56,991)	-	(1,560,328)
Land improvements	(20,657)	(2,619)	-	(23,276)
Equipment	(2,069,064)	(191,042)	465,510	(1,794,596)
Infrastructure	<u>(4,881,295)</u>	<u>(232,734)</u>	<u>-</u>	<u>(5,114,029)</u>
Total accumulated depreciation	<u>(8,474,353)</u>	<u>(483,386)</u>	<u>465,510</u>	<u>(8,492,229)</u>
Total capital assets, being depreciated, net	<u>11,240,293</u>	<u>(297,604)</u>	<u>(380,090)</u>	<u>10,562,599</u>
Governmental activities capital assets, net	<u>\$ 13,515,574</u>	<u>\$ (207,991)</u>	<u>\$ (386,820)</u>	<u>\$ 12,920,763</u>

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 9 - CAPITAL ASSETS - (Continued)**

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

**Governmental activities:**

General government	\$ 75,747
Security of persons and property	119,892
Public health and welfare	2,969
Transportation	266,119
Community environment	1,443
Leisure time activities	<u>17,216</u>
Total depreciation expense - governmental activities	<u>\$ 483,386</u>

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Capital asset activity for business-type activities for the year ended December 31, 2006, was as follows:

<b><u>Business-type Activities:</u></b>	Balance 1/01/06	Additions	Disposals	Balance 12/31/06
<i>Capital assets, not being depreciated:</i>				
Land	\$ 9,140	\$ -	\$ -	\$ 9,140
Construction in progress	<u>171,125</u>	<u>59,943</u>	<u>(115,202)</u>	<u>115,866</u>
Total capital assets, not being depreciated	<u>180,265</u>	<u>59,943</u>	<u>(115,202)</u>	<u>125,006</u>
<i>Capital assets, being depreciated:</i>				
Buildings	1,547,674	-	-	1,547,674
Equipment	408,558	334	(34,526)	374,366
Infrastructure	<u>18,622,100</u>	<u>196,644</u>	<u>-</u>	<u>18,818,744</u>
Total capital assets, being depreciated	<u>20,578,332</u>	<u>196,978</u>	<u>(34,526)</u>	<u>20,740,784</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(476,276)	(30,953)	-	(507,229)
Equipment	(281,343)	(27,123)	34,526	(273,940)
Infrastructure	<u>(6,635,045)</u>	<u>(364,880)</u>	<u>-</u>	<u>(6,999,925)</u>
Total accumulated depreciation	<u>(7,392,664)</u>	<u>(422,956)</u>	<u>34,526</u>	<u>(7,781,094)</u>
Total capital assets, being depreciated, net	<u>13,185,668</u>	<u>(225,978)</u>	<u>-</u>	<u>12,959,690</u>
Business-type activities capital assets, net	<u>\$ 13,365,933</u>	<u>\$ (166,035)</u>	<u>\$ (115,202)</u>	<u>\$ 13,084,696</u>

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 9 - CAPITAL ASSETS - (Continued)**

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

**Business-type activities:**

Water	\$ 202,838
Sewer	132,339
Storm	<u>87,779</u>
Total depreciation expense - business-type activities	<u>\$ 422,956</u>

**NOTE 10 - VACATION AND SICK LEAVE LIABILITY**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time up to a maximum of 200 hours is paid upon termination of employment. Employees earn sick leave at a rate of ten (10) hours per month. Sick leave accrual is continuous, up to 2,000 hours. Upon retirement or death, an employee with 10 years of continuous service can be paid an amount equal to one-fourth (1/4) the total number of accumulated, unused sick hours, not to exceed the maximum of 480 hours. As of December 31, 2006, the liability for unpaid compensated absences was \$170,503 for the entire City.



**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During 2006, the following changes occurred in governmental activities long-term obligations:

<b>Governmental Activities:</b>	Date of <u>Issue</u>	Interest <u>Rate</u>	Balance <u>01/01/06</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/06</u>	Amounts Due in <u>One Year</u>
<u>OPWC Loans:</u>							
Hillside Drive Replacement	1992	3.00%	\$ 22,649	\$ -	\$ (11,156)	\$ 11,493	\$ 11,493
Brookpark Storm Water Imp.	1994	0.00%	23,190	-	(2,728)	20,462	2,728
Hillside Storm Water Imp	1994	0.00%	62,979	-	(7,872)	55,107	7,872
Court St. Area Storm Water Imp.	2000	0.00%	<u>207,617</u>	<u>-</u>	<u>(14,319)</u>	<u>193,298</u>	<u>14,319</u>
Total OPWC Loans			<u>316,435</u>	<u>-</u>	<u>(36,075)</u>	<u>280,360</u>	<u>36,412</u>
<u>General Obligation Bonds:</u>							
Storm Water Improvement	1992	4.75%	175,000	-	(25,000)	150,000	25,000
Water System Improvement	1986	7.75%	125,000	-	(125,000)	-	-
Red Gate Land Acquisition	2003	2.78%	1,300,000	-	(1,300,000)	-	-
Red Gate Land Acquisition	2006	4.92%	-	1,300,000	-	1,300,000	-
Municipal Complex Improvement	1994	4.75%	<u>337,500</u>	<u>-</u>	<u>(37,500)</u>	<u>300,000</u>	<u>37,500</u>
Total G.O. Bonds			<u>1,937,500</u>	<u>1,300,000</u>	<u>(1,487,500)</u>	<u>1,750,000</u>	<u>62,500</u>
<u>Other Long-Term Obligations:</u>							
Compensated Absences			<u>160,333</u>	<u>151,860</u>	<u>(152,433)</u>	<u>159,760</u>	<u>95,529</u>
Total governmental activities long-term obligations			<u>\$ 2,414,268</u>	<u>\$ 1,451,860</u>	<u>\$ (1,676,008)</u>	<u>\$ 2,190,120</u>	<u>\$ 194,441</u>

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

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

Year Ending December 31,	<u>OPWC Loans</u>			<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 36,412	\$ 259	\$ 36,671	\$ 62,500	\$ 86,223	\$ 148,723
2008	24,919	-	24,919	62,500	83,432	145,932
2009	24,919	-	24,919	62,500	80,286	142,786
2010	24,919	-	24,919	62,500	77,317	139,817
2011	24,919	-	24,919	1,362,500	41,924	1,404,424
2012 - 2016	94,157	-	94,157	137,500	11,875	149,375
2017 - 2021	<u>50,115</u>	<u>-</u>	<u>50,115</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 280,360</u>	<u>\$ 259</u>	<u>\$ 280,619</u>	<u>\$ 1,750,000</u>	<u>\$ 381,057</u>	<u>\$ 2,131,057</u>

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

B. During the fiscal year 2006, the following changes occurred in the City's business-type long-term liabilities:

<b>Business-Type Activities</b>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Balance 01/01/06</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/06</u>	<u>Amounts Due in One Year</u>
<u>OPWC Loans:</u>							
Sawmill Sanitary Main Replacement	2002	0.00%	\$ 279,178	\$ -	\$ (18,012)	\$ 261,166	\$ 18,012
Sawmill Sanitary Main Lining	2003	0.00%	<u>416,781</u>	<u>-</u>	<u>(23,154)</u>	<u>393,627</u>	<u>23,154</u>
Total OPWC Loans			<u>\$ 695,959</u>	<u>\$ -</u>	<u>\$ (41,166)</u>	<u>\$ 654,793</u>	<u>\$ 41,166</u>
<u>General Obligation Bonds:</u>							
Water Main Construction	1994	4.75%	\$ 112,500	\$ -	\$ (12,500)	\$ 100,000	\$ 12,500
Water Storage Tank	1992	4.75%	266,000	-	(38,000)	228,000	38,000
Northwest Interceptor	1986	7.75%	30,000	-	(30,000)	-	-
Sewer System Improvement	1996	4.75%	<u>315,000</u>	<u>-</u>	<u>(25,000)</u>	<u>290,000</u>	<u>26,000</u>
Total G.O. Bonds			<u>\$ 723,500</u>	<u>\$ -</u>	<u>\$ (105,500)</u>	<u>\$ 618,000</u>	<u>\$ 76,500</u>
<u>Other Long-Term Obligations:</u>							
Compensated absences			<u>\$ 24,572</u>	<u>\$ 16,158</u>	<u>\$ (29,987)</u>	<u>\$ 10,743</u>	<u>\$ 9,544</u>
Total governmental activities long-term obligations			<u>\$ 1,444,031</u>	<u>\$ 16,158</u>	<u>\$ (176,653)</u>	<u>\$ 1,283,536</u>	<u>\$ 127,210</u>

User charges, impact fees and property taxes are used to pay the G. O. Bonds reported in the enterprise funds.

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

Year Ending December 31,	<u>OPWC Loans</u>			<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 41,166	\$ -	\$ 41,166	\$ 76,500	\$ 29,355	\$ 105,855
2008	41,166	-	41,166	78,500	25,721	104,221
2009	41,166	-	41,166	79,500	21,993	101,493
2010	41,166	-	41,166	80,500	18,216	98,716
2011	41,166	-	41,166	82,500	14,393	96,893
2012 - 2016	205,830	-	205,830	220,500	22,990	243,490
2017 - 2021	196,824	-	196,824	-	-	-
2022 - 2024	46,309	-	46,309	-	-	-
	<u>\$ 654,793</u>	<u>\$ -</u>	<u>\$ 654,793</u>	<u>\$ 618,000</u>	<u>\$ 132,668</u>	<u>\$ 750,668</u>

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2006, the City's total debt margin was \$19,419,761 and the unvoted debt margin was \$9,545,260.

**NOTE 12 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts: theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the City contracted with several companies for various types of insurance as follows:

City of Canfield Insurance Policies:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Scottsdale Indemnity Company	General Liability	None
	Umbrella Liability	None
	General Property Insurance	500
	Commercial Inland Marine	500
	Commercial Property	500
	Commercial Automobile-Comprehensive	1,000
	Commercial Automobile-Collision	1,000
Western Surety/ State Auto Insurance Company	Bond- Employee & Officials	None
Gemini Insurance Company	Law Enforcement Liability	25,000
Scottsdale Indemnity Company	Public Officials Liability	10,000

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

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2006, the member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the traditional plan.

The 2006 member contribution rates were 9.0% for members in state, local, and public safety classifications. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%. The City's contribution rate for 2006 was 13.70%, except for those plan members in law enforcement or public safety. For those classifications, the City's contributions were 16.93% 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, 2006, 2005, and 2004 were \$161,902, \$162,724, and \$154,554, respectively; 100% has been contributed for 2005 and 2004. 92.70% has been contributed for 2006. The City and plan members did not make any contributions to the member-directed plan for 2006.

**B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements 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.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 19.50% for police officers and 24.00% for firefighters. Contributions are authorized by State statute. The City's contributions to the fund for the police were \$166,143, \$170,393, and \$160,226 for the years ended December 31, 2006, 2005, and 2004. The full amount has been contributed for 2005 and 2004. 78.41% for police has been contributed for 2006 with the remainder being reported as a liability.

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase .50% and 6.00% annually for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00% (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The number of active participants for both plans used in the December 31, 2005 actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$53,185. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 were \$12.0 billion. At December 31, 2006, the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. In 2005 OPERS took additional actions to improve the solvency of the Health Care Fund by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2006. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$65,959 for police. The OP&F's total health care expense for the year ended December 31, 2006 was \$120.373 million, which was net of member contributions of \$58.532 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 was 14,120 for police and 10,563 for firefighters.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

**Net Change in Fund Balance**

	<u>General</u>	Street Construction <u>Maintenance and Repair</u>
Budget basis	\$ 147,161	\$ 220,680
Net adjustment for revenue accruals	15,695	(8,248)
Net adjustment for expenditure accruals	24,041	(6,567)
Net adjustment for other sources/uses	(172,038)	(167,689)
Adjustment for encumbrances	<u>280,777</u>	<u>68,470</u>
GAAP basis	<u>\$ 295,636</u>	<u>\$ 106,646</u>

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2006.

**B. Litigation**

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

**NOTE 17 - LAND LEASE AGREEMENTS**

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

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

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





## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Members of Council and Mayor  
City of Canfield  
104 Lisbon Street  
Canfield, OH 44406

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, Ohio (the "City") as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly we do not express an opinion 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 and would not necessarily identify all deficiencies in internal control over financial reporting 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 to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as 2006-COC-001 to be a significant deficiency in internal control over financial reporting.

Members of Council and Mayor  
City of Canfield

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

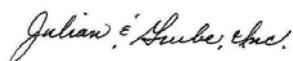
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated April 15, 2009.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management and Council of the City of Canfield and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
April 15, 2009

**CITY OF CANFIELD  
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS & RESPONSES  
DECEMBER 31, 2006**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2006-COC-001

Significant Deficiency

The City lacks controls over timely and accurate financial reports. The City prepares its own financial statements; however, the City's draft financial statements were not complete until March 17, 2009, well beyond the deadline for filing the financial report with the Auditor of State's Office.

This could significantly impact management's ability to effectively guide the City. Critical areas such as financial analysis, budgeting and debt financing, etc. could be negatively impacted.

We recommend the City management take a more active role in overseeing the timeliness of the financial reporting process. We further recommend that they evaluate steps necessary to ensure financial reports are issued in a timely manner. This will help ensure that reports are submitted as required.

Client's Response: The City Finance Director is aware of the requirements and is making an effort to be timelier in the future. The delay in the preparation of the financial statements is partly due to the implementation of new computer software used to prepare the financial statements. Synchronizing a computer system to be able to prepare GASB 34 statements is a very difficult task. The City Finance Director is very, very pleased with the end result. Management is aware of the delay and will be timely again, as they were prior to 2005.

**CITY OF CANFIELD  
MAHONING COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2005-COC-001	The City lacks control over timely and accurate financial reports.	No	Repeated as Finding 2006-COC-001
2005-COC-002	Ohio Revised Code Section 5705.10, in part, requires that money paid into any fund shall be expended only after such fund receives monies to cover the expenditures.	Yes	



**Mary Taylor, CPA**  
Auditor of State

**CITY OF CANFIELD**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 14, 2009**