



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF CANFIELD
MAHONING COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Canfield, Mahoning County, (the City) as of and for the year ended December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Canfield, Mahoning County, as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

May 10, 2001

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CITY OF CANFIELD
MAHONING COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998

	Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,413,983	\$715,059	\$406,373	\$440,125
Receivables:				
Taxes	174,096	316,437	300,756	
Accounts	56,083	99	48	
Unbilled Accounts Receivable			1,709	
Interfund	20,000			
Intergovernmental Receivable	73,543	17,003		
Due from Other Funds		27,032		
Inventory Held for Resale				
Funds on Deposit with Deferred Compensation Boards				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$1,737,705	\$1,075,630	\$708,886	\$440,125
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$113,166	\$44,177	\$771	\$775
Interfund Payable		20,000		
Accrued Wages and Benefits	6,060	3,874		
Compensated Absences Payable	4,885	1,280		
Due to Other Funds	31,156			
Intergovernmental Payable	1,278	696		
Deferred Revenue		312,746	300,755	
Deposits Held and Due to Others				
OPWC Loans Payable				
Deferred Compensation Payable				
General Obligation Bonds Payable				
Total Liabilities	156,545	382,773	301,526	775
Fund Equity and Other Credits:				
Contributed Capital				
Investment in General Fixed Assets				
Retained Earnings: Unreserved				
Fund Balance: Reserved for Encumbrances	204,061	114,510		39,541
Fund Balance: Unreserved, Undesignated	1,377,099	578,347	407,360	399,809
Total Fund Equity and Other Credits	1,581,160	692,857	407,360	439,350
Total Liabilities, Fund Equity and Other Credits	\$1,737,705	\$1,075,630	\$708,886	\$440,125

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
\$3,092,548	\$249,430			\$6,317,518
				791,289
88,711				144,941
218,643				220,352
				20,000
	4,125			90,546
				31,157
3,640				3,640
	294,822			294,822
11,787,737		\$10,943,336		22,731,073
			\$407,360	407,360
			1,941,780	1,941,780
<u>\$15,191,279</u>	<u>\$548,377</u>	<u>\$10,943,336</u>	<u>\$2,349,140</u>	<u>\$32,994,478</u>
\$142,425				\$301,314
				20,000
663				10,597
12,536			\$93,847	112,548
				31,156
10,380	6,182		52,825	71,361
				613,501
	\$123,076			123,076
	294,822		252,468	252,468
1,424,000			1,950,000	3,374,000
1,590,004	424,080		2,349,140	5,204,843
1,332,437				1,332,437
		\$10,943,336		10,943,336
12,268,838	72,492			12,341,330
				358,112
	51,805			2,814,420
13,601,275	124,297	10,943,336		27,789,635
<u>\$15,191,279</u>	<u>\$548,377</u>	<u>\$10,943,336</u>	<u>\$2,349,140</u>	<u>\$32,994,478</u>

CITY OF CANFIELD
MAHONING COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Funds	
Revenues:						
Local Taxes	\$1,804,982	\$339,757	\$306,215			\$2,450,954
Intergovernmental Revenues	304,020	289,336	40,381	\$415,472		1,049,209
Special Assessments		17,956				17,956
Charges for Services	157,360	19,145	15,663			192,168
Fines, Licenses and Permits	149,516	691				150,207
Interest	242,014	27,032			\$1,023	270,069
Miscellaneous	61,617	19,674			1,596	82,887
Total Revenues	2,719,509	713,591	362,259	415,472	2,619	4,213,450
Expenditures:						
Security of Person and Property	1,081,156	135,898				1,217,054
Public Health Services		31,694				31,694
Leisure Time Activities		61,274				61,274
Community Environment	87,483					87,483
Transportation		515,056				515,056
General Government	668,487					668,487
Capital Outlay	73,617	33,247		457,767		564,631
Debt Service:						
Principal Retirement			206,892			206,892
Interest and Fiscal Charges			158,974			158,974
Total Expenditures	1,910,743	777,169	365,866	457,767		3,511,545
Excess of Revenues Over (Under) Expenditures	808,766	(63,578)	(3,607)	(42,295)	2,619	701,905
Other Financing Sources:						
Sale of Fixed Assets	10,875	1,258				12,133
Transfers-In		163,100	107,846	74,870		345,816
Total Other Financing Sources/(Uses)	10,875	164,358	107,846	74,870		357,949
Other Financing Uses:						
Transfers-Out	395,923	11,800		59,763		467,486
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	423,718	88,980	104,239	(27,188)	2,619	592,368
Fund Balances Beginning of Year (Restated - Note 17)	1,157,442	603,877	303,121	466,538	49,186	2,580,164
Fund Balances (Deficit) End of Year	\$1,581,160	\$692,857	\$407,360	\$439,350	\$51,805	\$3,172,532

The notes to the general-purpose financial statements are an integral part of this statement.

CITY OF CANFIELD
MAHONING COUNTY

COMBINED STATEMENT OF REVENUES, EXPEDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Local Taxes	\$1,751,000	\$1,787,310	\$36,310	\$348,000	\$339,460	(\$8,540)
Intergovernmental Revenues	208,825	306,280	97,455	411,215	287,590	(123,625)
Special Assessments	4,500		(4,500)	28,917	17,957	(10,960)
Charges for Services	8,490	5,564	(2,926)	27,500	19,145	(8,355)
Fines, Licenses and Permits	138,530	158,707	20,177	7,000	691	(6,309)
Interest Earnings	217,000	273,170	56,170			
Miscellaneous	6,576	61,298	54,722	5,600	18,561	12,961
Total Revenues	2,334,921	2,592,329	257,408	828,232	683,404	(144,828)
Expenditures:						
Security of Person and Property	1,273,147	1,159,753	113,394	190,155	139,568	50,587
Public Health Services				69,517	33,463	36,054
Leisure Time Activities				105,635	62,979	42,656
Community Environment	109,770	91,021	18,749			
Transportation				748,196	571,053	177,143
General Government	879,421	698,922	180,499			
Capital Outlay	199,097	174,776	24,321	252,964	93,267	159,697
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	2,461,435	2,124,472	336,963	1,366,466	900,330	466,136
Excess of Revenues Over (Under) Expenditures	(126,514)	467,857	594,371	(538,235)	(216,926)	321,309
Other Financing Sources:						
Sale of Fixed Assets	45,000	10,875	34,125	200	1,258	1,058
Other Financing Sources	178,372	130,563	47,809	5,500	1,328	(4,172)
Transfers-In				104,463	182,826	78,363
Advances-In		26,000	(26,000)		20,000	20,000
Total Other Financing Sources	223,372	167,438	(55,934)	110,163	205,412	95,250
Other Financing Uses:						
Other Financing Uses	37,797	12,365	25,432	4,300	1,030	3,270
Transfers-Out	421,013	418,914	2,099	11,800	11,800	
Advances-Out		20,000	(20,000)		26,000	(26,000)
Total Other Financing Uses	458,810	451,279	7,531	16,100	38,830	(22,730)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(361,952)	184,016	545,968	(444,172)	(50,344)	393,829
Fund Balances Beginning of Year	780,477	780,477		535,510	535,510	
Prior Period Adjustments		(32,107)	(32,107)		18,419	18,419
Prior Year Encumbrances Appropriated	164,370	164,370		52,786	52,786	
Fund Balances (Deficit) End of Year	\$582,895	\$1,096,757	\$513,862	\$144,124	\$556,371	\$412,248

The notes to the general-purpose financial statements are an integral part of this statement.

CITY OF CANFIELD
MAHONING COUNTY

**COMBINED STATEMENT OF REVENUES, EXPEDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CONTINUED)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Local Taxes	\$310,858	\$306,215	(\$4,643)			
Intergovernmental Revenues	35,900	40,381	4,481	\$475,000	\$415,472	(\$59,528)
Special Assessments						
Charges for Services	13,000	15,548	2,548			
Fines, Licenses and Permits						
Interest Earnings						
Miscellaneous						
Total Revenues	359,758	362,144	2,386	475,000	415,472	(59,528)
Expenditures:						
Security of Person and Property						
Public Health Services						
Leisure Time Activities						
Community Environment						
Transportation						
General Government						
Capital Outlay				734,700	505,847	228,853
Debt Service:						
Principal Retirement	223,752	206,892	16,860			
Interest and Fiscal Charges	166,002	158,974	7,028			
Total Expenditures	389,754	365,866	23,888	734,700	505,847	228,853
Excess of Revenues Over (Under) Expenditures	(29,996)	(3,722)	26,274	(259,700)	(90,375)	169,325
Other Financing Sources:						
Sale of Fixed Assets						
Other Financing Sources						
Transfers-In	102,144	107,846	5,702	71,000	74,870	3,870
Advances-In						
Total Other Financing Sources	102,144	107,846	5,702	71,000	74,870	3,870
Other Financing Uses:						
Other Financing Uses						
Transfers-Out				60,000	59,763	237
Advances-Out						
Total Other Financing Uses				60,000	59,763	237
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	72,148	104,124	31,976	(248,700)	(75,268)	173,432
Fund Balances Beginning of Year	296,827	296,827		(4,622)	(4,622)	
Prior Period Adjustments		3,652	3,652			
Prior Year Encumbrances Appropriated	1,000	1,000		479,700	479,700	
Fund Balances (Deficit) End of Year	\$369,975	\$405,602	\$35,628	\$226,378	\$399,809	\$173,432

The notes to the general-purpose financial statements are an integral part of this statement.

CITY OF CANFIELD
MAHONING COUNTY

**COMBINED STATEMENT OF REVENUES, EXPEDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CONTINUED)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Expendable Trust Funds			Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Local Taxes				\$2,409,858	\$2,432,985	\$23,127
Intergovernmental Revenues				1,130,940	1,049,723	(81,217)
Special Assessments				33,417	17,957	(15,460)
Charges for Services				48,990	40,257	(8,733)
Fines, Licenses and Permits				145,530	159,398	13,868
Interest Earnings				217,000	273,170	56,170
Miscellaneous	\$7,000	\$1,596	(\$5,404)	19,176	81,455	62,279
Total Revenues	7,000	1,596	(5,404)	4,004,911	4,054,945	50,035
Expenditures:						
Security of Person and Property				1,463,302	1,299,321	163,981
Public Health Services				69,517	33,463	36,054
Leisure Time Activities				105,635	62,979	42,656
Community Environment				109,770	91,021	18,749
Transportation				748,196	571,053	177,143
General Government	3,500		3,500	882,921	698,922	183,999
Capital Outlay				1,186,761	773,890	412,871
Debt Service:						
Principal Retirement				223,752	206,892	16,860
Interest and Fiscal Charges				166,002	158,974	7,028
Total Expenditures	3,500		3,500	4,955,855	3,896,515	1,059,340
Excess of Revenues Over (Under) Expenditures	3,500	1,596	(1,904)	(950,945)	158,430	1,109,375
Other Financing Sources:						
Sale of Fixed Assets				45,200	12,133	(33,067)
Other Financing Sources				183,872	131,891	(51,981)
Transfers-In	2,350	947	(1,403)	279,957	366,489	86,532
Advances-In					46,000	46,000
Total Other Financing Sources	2,350	947	(1,403)	509,029	556,513	47,484
Other Financing Uses:						
Other Financing Uses	5,000		5,000	47,097	13,395	33,702
Transfers-Out	2,438		2,438	495,250	490,476	4,774
Advances-Out					46,000	(46,000)
Total Other Financing Uses	7,438		7,438	542,347	549,871	(7,524)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,588)	2,543	4,131	(984,263)	165,072	1,149,335
Fund Balances Beginning of Year	48,239	48,239		1,656,431	1,656,431	
Prior Period Adjustments					(10,036)	(10,036)
Prior Year Encumbrances Appropriated				697,856	697,856	
Fund Balances (Deficit) End of Year	\$46,652	\$50,782	\$4,131	\$1,370,025	\$2,509,324	\$1,139,299

**CITY OF CANFIELD
MAHONING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Types	Fiduciary Fund Types	
	Enterprise Funds	Non- Expendable Trust Funds	Totals (Memorandum Only)
Operating Revenues:			
Charges for Services	\$1,979,013	\$1,400	\$1,980,413
Interest Revenue		3,102	3,102
Other	11,536	15,000	26,536
	1,990,549	19,502	2,010,051
Operating Expenses:			
Personal Services	194,344		194,344
Travel/Transportation	215		215
Contractual Services	1,157,286		1,157,286
Supplies and Materials	31,288		31,288
Depreciation	320,880		320,880
	1,704,013		1,704,013
Total Operating Expenses			
Operating Income	286,536	19,502	306,038
Non-Operating Revenues:			
Transfers-In	121,670		121,670
Non-Operating Expenses:			
Interest and Fiscal Charges	94,675		94,675
Net Non-Operating Revenues/Expenses	26,995		26,995
Net Income/Loss	313,531	19,502	333,033
Retained Earnings - January 1 (Restated - Note 17)	11,955,307	52,989	12,008,296
Retained Earnings - December 31	\$12,268,838	\$72,491	\$12,341,329

The notes to the general-purpose financial statements are an integral part of this statement.

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CITY OF CANFIELD
MAHONING COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Enterprise Funds			Non-Expendable Trust Funds		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:						
Charges for Services	\$1,964,600	\$1,936,525	(\$28,075)	\$5,000	\$1,400	(\$3,600)
Miscellaneous					15,000	15,000
Total Operating Revenues	1,964,600	1,936,525	(28,075)	5,000	16,400	11,400
Operating Expenses:						
Personal Services	211,581	197,870	13,711			
Travel Transportation	900	215	685			
Contractual Services	1,182,391	1,051,530	130,861			
Supplies and Materials	104,984	31,288	73,696			
Capital Outlay	1,811,691	333,665	1,478,026			
Total Operating Expenses	3,311,547	1,614,568	1,696,979			
Operating Income/(Loss)	(1,346,947)	321,957	1,668,904	5,000	16,400	11,400
Non-Operating Revenues:						
Intergovernmental Revenues	400,000		(400,000)			
Proceeds from Sale of Public Debt						
Sale of Bonds	400,000		(400,000)			
Miscellaneous	300	6,950	6,650	100		(100)
Sale of Fixed Assets	200		(200)			
Other Non-Operating Revenues	500	4,586	4,086			
Transfers-In	99,880	121,670	21,790	2,100	2,319	219
Total Non-Operating Revenues	900,880	133,206	(767,674)	2,200	2,319	119
Non-Operating Expenses:						
Debt Service:						
Principal Retirement	96,500	96,500				
Interest and Fiscal Charges	96,949	94,675	2,274			
Other Non-Operating Expenses	157,215	132,325	24,890			
Total Non-Operating Expenses	350,664	323,500	27,164			
Excess of Revenues Over (Under) Expenses	(796,731)	131,663	928,394	7,200	18,719	11,519
Fund Equity Beginning of Year	2,491,725	2,491,725		50,671	50,671	
Prior Period Adjustments		6,536	6,536			
Prior Year Encumbrances Appropriated	41,722	41,722				
Fund Balances (Deficit) End of Year	\$1,736,716	\$2,671,646	\$934,930	\$57,871	\$69,390	\$11,519

The notes to the general-purpose financial statements are an integral part of this statement.

CITY OF CANFIELD
MAHONING COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
BUDGET (NON-GAAP BASIS) AND ACTUAL (Continued)
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Agency Funds			Totals (Memorandum Only)		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:						
Charges for Services				\$1,969,600	\$1,937,925	(\$31,675)
Miscellaneous					15,000	15,000
Total Operating Revenues				1,969,600	1,952,925	(16,675)
Operating Expenses:						
Personal Services				211,581	197,870	13,711
Travel Transportation				900	215	685
Contractual Services	\$81,488	\$78,610	\$2,878	1,263,879	1,130,140	133,739
Supplies and Materials				104,984	31,288	73,696
Capital Outlay				1,811,691	333,665	1,478,026
Total Operating Expenses	81,488	78,610	2,878	3,393,035	1,693,178	1,699,857
Operating Income/(Loss)	(81,488)	(78,610)	2,878	(1,423,435)	259,747	1,683,182
Non-Operating Revenues:						
Intergovernmental Revenues				400,000		(400,000)
Proceeds from Sale of Public Debt						
Sale of Bonds				400,000		(400,000)
Miscellaneous				400	6,950	6,550
Sale of Fixed Assets				200		(200)
Other Non-Operating Revenues	89,100	102,724	13,624	89,600	107,310	17,710
Transfers-In				101,980	123,989	22,009
Total Non-Operating Revenues	89,100	102,724	13,624	992,180	238,249	(753,931)
Non-Operating Expenses:						
Debt Service:						
Principal Retirement				96,500	96,500	
Interest and Fiscal Charges				96,949	94,675	2,274
Other Non-Operating Expenses	40,106	22,128	17,978	197,321	154,453	42,868
Total Non-Operating Expenses	40,106	22,128	17,978	390,770	345,628	45,142
Excess of Revenues Over (Under) Expenses	(32,494)	1,986	34,480	(822,025)	152,368	974,393
Fund Equity Beginning of Year	5,871	5,871		2,548,267	2,548,267	
Prior Period Adjustments		5,096	5,096		11,632	11,632
Prior Year Encumbrances Appropriated	26,723	26,723		68,445	68,445	
Fund Balances (Deficit) End of Year	\$100	\$39,676	\$39,576	\$1,794,687	\$2,780,712	\$986,025

CITY OF CANFIELD
MAHONING COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise Funds	Non-Expendable Trust	(Memorandum Only)
Increase in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$1,936,525	\$16,400	\$1,952,925
Cash Payments to Suppliers for Goods and Services	(30,917)		(30,917)
Cash Payments for Contractual Services	(1,070,579)		(1,070,579)
Cash Payments for Employee Services and Benefits	(183,724)		(183,724)
Cash Payments for Travel/Transportation	(215)		(215)
Other Operating Revenues	11,536		11,536
Net Cash Provided by Operating Activities	662,626	16,400	679,026
Cash Flows from Non-Capital Financing Activities:			
Transfers In	121,670		121,670
Cash Flows from Capital and Related Financing Activities:			
Purchase of Fixed Assets	(41,422)		(41,422)
Principal Payments-General Obligation Bonds	(96,500)		(96,500)
Interest Payments-General Obligation Bonds	(93,808)		(93,808)
Net Cash Used in Capital and Related Financing Activities	(231,730)		(231,730)
Cash Flows from Investing Activities:			
Interest on Investments		2,319	2,319
Net Increase in Cash and Cash Equivalents	552,566	18,719	571,285
Cash and Cash Equivalents Beginning of Year	2,539,982	50,671	2,590,653
Cash and Cash Equivalents End of Year	\$3,092,548	\$69,390	\$3,161,938
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income:	\$286,536	\$19,502	\$306,038
Adjustments:			
Depreciation	320,880		320,880
Interest		(3,102)	(3,102)
(Increase)/Decrease in Assets:			
Accounts Receivable	(42,488)		(42,488)
Increase/(Decrease) in Liabilities:			
Accounts Payable	90,968		90,968
Accrued Wages and Benefits	302		302
Compensated Absences Payable	1,980		1,980
Intergovernmental Payable	4,447		4,447
Net Cash Provided by Operating Activities	\$662,626	\$16,400	\$679,026

The notes to the general-purpose financial statements are an integral part of this statement.

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

1. DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

A reporting entity includes the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Canfield, this includes police protection, street maintenance and repairs, planning and zoning, parks and recreation, water and wastewater. The operation of each of these activities is directly controlled by Council through the budgetary process.

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

Prior to 1990, the Fire Department of Canfield was solely operated by the City. The Cardinal Joint Fire District is a jointly governed 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulation, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund This fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted expenditure for specified purposes.

Debt Service Funds These funds are used to account for the accumulations of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds These funds are used to account for financial resources to be used for the acquisition or construction of major facilities (other than those financed by proprietary funds).

Proprietary Fund Type Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The following are the City's fiduciary fund types:

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expendable Trust Funds These funds are accounted for in essentially the same manner as governmental funds. Expendable trust funds account for assets where both principal and interest may be spent.

Nonexpendable Trust Funds These funds are accounted for in essentially the same manner as proprietary funds. Nonexpendable trust funds account for assets where the principal may not be spent.

Agency Funds Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results or operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group This account group accounts for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is sixty days after year end.

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, state-levied locally shared taxes, (including gasoline tax), fines and forfeitures and income tax withheld by employers.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1998, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable.

C. Budgetary Process

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

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

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

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

This certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that the estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1998.

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

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

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

D. Cash and Cash Equivalents

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

For purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments with an original maturity of three months or less and cash and investments in the cash management pool are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Inventory

Inventories of governmental funds are stated at cost while the inventory of the proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Since the inventory balance at December 31, 1998 was not significant in the governmental funds, an amount was not reported on the combined balance sheet.

F. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

G. Fixed Assets

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental type funds and capitalized (recorded and accounted for) in the general fixed assets account group. Infrastructure fixed assets such as streets, storm sewers and drains, and traffic signals and signs are capitalized by the City and are reported as part of the general fixed assets account group.

Fixed assets, including infrastructure fixed assets, utilized in the proprietary funds are capitalized in these funds.

Fixed asset values were initially determined at December 31, 1996, by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not determinable, estimated historical costs were developed. For certain fixed assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated. The City maintains a capitalization threshold of one hundred dollars.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Depreciation in the proprietary fund types is computed using the straight-line method over the following estimated useful lives:

Water and Sewer Lines	50 years
Buildings	50 years
Improvements other than buildings	7-20 years
Equipment	3-20 years
Vehicles	5 years

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Interest is capitalized on proprietary fund assets acquired with tax exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 1998, interest costs incurred on construction projects in the proprietary funds were not material.

H. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources.

However, claims, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year-end are considered not to have been made with current expendable available financial resources. Bonds and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

I. Compensated Absences

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

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

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

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

K. Fund Equity

Reserves for retained earnings represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Contributed capital is recorded in proprietary funds that have received capital grants or contributions from customers. Fund balance reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances.

L. Estimates

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

M. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "totals (memorandum only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

3. BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$423,718	\$88,980	\$104,238	(\$27,188)	\$2,619
Net Adjustment for					
Revenue Accruals	(32,578)	(9,132)	(115)		(76)
Advance In	26,000	20,000			
Net Adjustment for					
Expenditure Accruals	104,102	34,496	771	(7,765)	
Advance Out	(20,000)	(26,000)			
Encumbrances	<u>(317,227)</u>	<u>(158,688)</u>	<u>(771)</u>	<u>(40,316)</u>	<u> </u>
Budget Basis	<u>\$184,015</u>	<u>\$ (50,344)</u>	<u>\$104,123</u>	<u>(\$75,269)</u>	<u>\$2,543</u>

**Net Income/Excess of Revenues Over Expenses
Proprietary Fund Type and Similar Trust Fund**

	Enterprise	Non-Expendable Trust
GAAP Basis	\$313,531	\$19,502
Net Adjustment for		
Revenue Accruals	(42,488)	(783)
Net Adjustment for		
Expenditure Accruals	145,152	
Depreciation	320,880	
Capital Outlay	(88,009)	
Principal Retirement	(96,500)	
Encumbrances	<u>(420,903)</u>	<u> </u>
Budget Basis	<u>\$131,663</u>	<u>\$18,719</u>

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
6. The State Treasurer's investment pool (STAR OHIO).

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Investments are stated at a cost that approximates market, except for the investments of the Deferred Compensation Agency Fund, which are stated at market.

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

Deposits At year-end, the carrying amount of the City's deposits was \$(63,410) and the bank balance was \$21,690. The entire bank balance was covered by federal depository insurance. The City also had cash on hand in the amount of \$60.

Investments Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments, which are held by the counterparty or by its trust department or agent but not in the City's name. STAR Ohio and Deferred Compensation are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Market Value
Repurchase Agreements	\$2,448,798	\$2,448,798	\$2,448,798
STAR Ohio		3,932,070	3,932,070
Deferred Compensation	<u> </u>	<u>294,822</u>	<u>294,822</u>
Total Investments	<u>\$2,448,798</u>	<u>\$6,675,690</u>	<u>\$6,675,690</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 which classifies investments with original maturities of three months or less as cash equivalents.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$6,317,518	\$294,822
Cash on Hand	(60)	
Investments of the cash management pool:		
Repurchase Agreements	(2,448,798)	2,448,798
STAR Ohio	(3,932,070)	<u>3,932,070</u>
 GASB Statement No. 3	 \$ <u>(63,410)</u>	 <u>\$6,675,690</u>

5. TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date.

Assessed values are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. The latest reappraisal in Mahoning County was completed in 1996. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20, unless extended.

Taxes collected from tangible personal property (other than public utility property) in one calendar year are levied in the prior calendar year on assessed values on December 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at twenty-five percent of its true value. Amounts paid by single-county taxpayers are due September 20. Multi-county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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

The Mahoning County Treasurer collects property tax on behalf of all taxing districts within the county including the City of Canfield. The Mahoning County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 1998, was \$4.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1998 property tax receipts were based are as follows:

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

5. TAXES - (Continued)

Real Property	\$125,494,910
Public Utility Property	4,817,290
Tangible Personal Property	<u>8,390,960</u>
 Total Valuation	 <u>\$138,703,160</u>

B. Income Taxes

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

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

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

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

Non-Residents: Taxes are paid on income and wages earned from a business located in the City. The employer must withhold the City income tax on the wages paid all employees. Income earned while working within the city limits is taxable to the City and the employer (even when located outside of the City) must withhold the city tax on these wages.

Independent contractors pay on earnings, payments, bonuses, commissions and/or fees received. Since they are not employees, the tax is not withheld by an employer and they file and pay their own taxes.

Non-Resident business: The tax is withheld on the individuals working within the City limits.

Taxes are paid on the net profit of the portion of the business conducted within the City of Canfield or for the City of Canfield.

Income tax proceeds are received by the general fund.

**CITY OF CANFIELD
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

6. RECEIVABLES

Receivables at December 31, 1998, primarily consisted of taxes, accounts (billings for user charged services including unbilled utility services), interfund, intergovernmental receivables arising from grants, entitlements and shared revenues and interest on investments. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Estate Tax	\$59,889
Revenue Assistance	1,344
Local Government	8,255
DARE Grant	<u>4,055</u>
Total General Fund	<u>73,543</u>
Special Revenue Funds:	
Street Construction, Maintenance and Repair Fund:	
Repair Vehicle Registration	3,103
Gasoline Excise Tax	4,242
State & Local Government Highway Distribution	8,382
State Highway Fund:	
Vehicle Registration	252
Gasoline Excise Tax	344
State & Local Government Highway Distribution	<u>680</u>
Total Special Revenue Funds	<u>17,003</u>
Total Intergovernmental Receivables	<u>\$90,546</u>

7. CONTINGENCIES

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 1998.

B. Litigation

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

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

8. FIXED ASSETS

A summary of the enterprise funds; property, plant and equipment at December 31, 1998, follows:

	Balance 01/01	Additions	Deductions	Transfers	Balance 12/31
Land	\$9,140				\$9,140
Buildings	1,415,662				1,415,662
Equipment	260,751	\$1,517			262,268
Water, Sewer Lines, Infrastructure	14,054,600	65,330		\$2,768	14,122,698
Construction in Progress	<u>43,481</u>	<u>69,015</u>	<u>\$(43,481)</u>		<u>69,015</u>
Total	15,783,634	135,862		2,768	15,878,783
Less: Accumulated Depreciation	<u>(3,770,166)</u>	<u>(320,880)</u>			<u>(4,091,046)</u>
Net Fixed Assets	<u>\$12,013,468</u>	<u>\$(185,018)</u>	<u>\$ (43,481)</u>	<u>\$2,768</u>	<u>\$11,787,737</u>

A summary of changes in general fixed assets follows:

	Balance 01/01	Additions	Deductions	Transfers	Balance 12/31
Land	\$512,100				\$512,100
Buildings	1,916,927				1,916,927
Equipment	1,690,108	\$104,336	(\$40,633)		1,753,811
Infrastructure	6,090,239	2,768		(\$2,768)	6,090,239
Construction in Progress	<u>234,580</u>	<u>435,678</u>			<u>670,258</u>
Total	<u>\$10,443,954</u>	<u>\$542,782</u>	<u>(\$40,633)</u>	<u>(\$2,768)</u>	<u>10,943,335</u>

9. LONG-TERM OBLIGATIONS

The original issuance amounts for the City's long-term obligations and changes in the City's long-term obligations during 1998 are as follows:

Debt Issue	Date of Issuance	Interest Rate	Original Issue Amount	Year of Maturity	Principal Outstanding 12/31	Additions During Year	Reductions During Year	Principal Outstanding 12/31
Enterprise Fund Obligations								
<i>General Obligation Bonds:</i>								
Water Main Construction	09/01/94	6.25%	\$250,000	2014	\$212,500		\$12,500	\$200,000
Water Storage Tank	12/01/92	6.00%	750,000	2012	565,000		37,000	528,000
Northwest Interceptor	05/01/86	7.75%	570,000	2006	270,000		30,000	240,000
Sewer System Improvement	03/01/96	5.00%	500,000	2015	<u>473,000</u>	\$ _____	<u>17,000</u>	<u>456,000</u>
Total Enterprise Fund Obligations					1,520,500		96,500	1,424,000
General Long Term Obligations (GLTDAG)								
<i>Ohio Public Works Commission Loans:</i>								
Hillside Drive Replacement	1992	3.00%	141,123	2008	100,886		8,791	92,095
Brookpark Storm Water Imp.	1994	No Interest	55,432	2015	45,016		2,728	42,288
Hillside Storm Water Imp.	1994	No Interest	157,839	2014	<u>125,958</u>		<u>7,872</u>	<u>118,086</u>
Subtotal					271,860		19,391	252,469

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

<i>General Obligation Bonds:</i>							
Storm Water Improvement	12/01/92	6.00%	500,000	2012	375,000	25,000	350,000
Water System Improvement	05/01/86	7.75%	2,500,000	2006	1,125,000	125,000	1,000,000
Muni. Complex Improvement	09/01/94	6.25%	750,000	2014	<u>637,500</u>	<u>37,500</u>	<u>600,000</u>
Subtotal					2,137,500	187,500	1,950,000
<i>Compensated Absences</i>					84,289	9,557	93,846
<i>Intergovernmental Payable</i>					<u>61,943</u>	<u>52,825</u>	<u>61,943</u> <u>52,825</u>
Total General Long Term Obligations (GLTDAG)					<u>2,555,592</u>	<u>62,382</u>	<u>268,834</u> <u>2,349,140</u>
Total of All Types					<u>\$4,076,092</u>	<u>\$62,382</u>	<u>\$365,334</u> <u>\$3,773,140</u>

User charges, impact fees and property taxes are used to pay the general obligation bonds reported in the enterprise fund. The remaining general obligation bonds and OPWC Loans will be paid from the proceeds of municipal income tax. Compensated absences and intergovernmental payables reported in the "compensated absences payable" and "intergovernmental payable" accounts will be paid from the fund from which the employees' salaries are paid.

The City's overall legal debt margin was \$12,613,832 at December 31, 1998. Principal and interest requirements to retire long-term obligations outstanding at December 31, 1998 are as follows:

	<u>Enterprise</u>			<u>GLTDAG</u>			
	GO Bond P & I Due Per Year	Total P & I Outstanding Per Year	OPWC Loan P & I Due Per Year	Total P & I Outstanding Per Year	GO Bond P & I Due Per Year	Total P & I Outstanding Per Year	Grand Total Outstanding Per Year
1999	\$183,220	\$2,097,400	\$22,353	\$266,145	\$323,500	\$2,775,000	\$5,138,545
2000	178,001	1,914,180	22,353	243,792	309,969	2,451,500	4,609,472
2001	172,730	1,736,179	22,353	221,439	296,438	2,141,531	4,099,149
2002	167,406	1,563,449	22,353	199,086	282,906	1,845,094	3,607,628
2003	163,030	1,396,043	22,353	176,733	269,375	1,562,188	3,134,963
2004	157,541	1,233,013	22,353	154,380	255,844	1,292,813	2,680,205
2005	153,000	1,075,471	22,353	132,027	242,313	1,036,969	2,244,467
2006	147,354	922,471	22,353	109,674	228,781	794,656	1,826,801
2007	111,655	775,118	22,353	87,320	90,250	565,875	1,428,313
2008	109,229	663,463	10,601	64,967	86,406	475,625	1,204,055
2009	105,698	554,234	10,601	54,367	82,563	389,219	997,819
2010	102,114	448,536	10,601	43,766	78,719	306,656	798,959
2011	99,478	346,423	10,601	33,166	74,875	227,938	607,526
2012	96,736	246,945	10,601	22,565	71,031	153,063	422,573
2013	54,890	150,209	10,601	11,965	42,188	82,031	244,205
2014	54,271	95,319	1,364	1,364	39,844	39,844	136,527
2015	<u>41,048</u>	<u>41,048</u>					<u>41,048</u>
Totals	<u>\$2,097,400</u>		<u>\$266,145</u>		<u>\$2,775,000</u>		

10. EMPLOYEE BENEFITS

A. Deferred Compensation Plan

City employees and elected officials participate in the International City Management Associated Deferred Compensation Plan (Plan). The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

10. EMPLOYEE BENEFITS (Continued)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant. The Plan Agreements state that the City and the International City Management Association Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

An agency fund has been established to account for these monies as prescribed by Governmental Accounting Standards Board Statement No. 2, "Financial Reporting of Deferred Compensation Plans adopted under the Provisions of Internal Revenue Code Section 457". As of December 31, 1998, the amount on deposit with the International City Management Association Board was \$294,822 valued at market.

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time up to a maximum of 200 hours is paid upon termination of employment. Employees earn sick leave at the rate of 10 hours per month. Sick leave accrual is continuous, up to 2000 hours. Upon retirement or death, an employee with 10 years of continuous service can be paid an amount equal to one fourth (1/4) the total number of accumulated, unused sick hours, not to exceed a maximum of 480 hours. As of December 31, 1998, the liability for unpaid compensated absences was \$112,548 for the entire City.

11. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All City full-time employees, other than Police and Firemen, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus OH 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. Law enforcement employees contribute 9.0% of covered salary. The 1998 employer contribution rate for state employers was 13.31% of covered payroll. For local government employer units the rate was 13.55% of covered payroll. The law enforcement employer rate was 16.70% of covered payroll. The City's required contribution to PERS for the years ending December 31, 1998, 1997 and 1996 were \$111,077, \$103,923, and \$95,941 respectively. The full amount has been contributed for 1997 and 1996. 74.12% has been contributed for 1998 with the remainder being reported as a fund liability and in the general long-term obligation account group.

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund (PFDPF), a cost-sharing multiple-employer defined benefit pension plan. PFDPF 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. PFDPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to PFDPF, 140 East Town Street, Columbus OH 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to PFDPF for the years ending December 31, 1998, 1997 and 1996 were \$105,726, \$91,465, and \$81,741 respectively. The full amount has been contributed for 1997 and 1996. 72.58% has been contributed for 1998 with the remainder being reported as a fund liability and in the general long-term obligation account group.

12. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System (PERS)

The Public Employees Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service employees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care. The 1998 employer contribution rate for state employers was 13.31% of covered payroll; 4.2% was the portion that was used to fund health care for the year. For local government employer units the rate was 13.55% of covered payroll for employees; 4.2% was the portion that was used to fund health care for the year 1998. The law enforcement employer rate for 1998 was 16.70% and 4.2% was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to PERS.

Benefits are funded on a pay-as-you-go basis. OPEB is financed through employer contributions and investment earnings there on. The contributions allocated to retiree health and Medicare care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The total number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579. The City's actual contributions for 1998, which were used to fund OPEB, were \$22,772. During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

12. POSTEMPLOYMENT BENEFITS -(Continued)

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (PFDPF) provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of PFDPF shall be included in the employer's contribution rate. The total police employer contribution is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. The Ohio Revised Code provides the statutory authority allowing PFDPF's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 6.5% of covered payroll in 1998. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1997, the date of the last actuarial valuation available, are 11,239 for Police and 9,025 for Firefighters. The City's actual contributions for 1998 that were used to fund postemployment benefits were \$35,207 for Police. PFDPF's total health care expenses for the year ending December 31, 1997 was \$76,459,832.

13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1998, the City contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Deductible
State Auto Insurance Company	General Liability	None
	Umbrella Liability	None
	General Property Insurance	\$1,000
	Commercial Inland Marine	1,000
	Commercial Property	1,000
	Commercial Automobile	1,000
Western Surety/ State Auto Insurance Company	Bonds - Employees & Officials	None
National Casualty	Law Enforcement Liability	10,000
	Public Officials Liability	10,000

Claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

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

**CITY OF CANFIELD
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

14. ENTERPRISE FUNDS – CONTRIBUTED CAPITAL

During the year, enterprise fund contributed capital changed by the following amounts:

	Water Fund	Sanitary Sewer Fund	Storm Water Fund
Contributed Capital, January 1	\$914,910	\$ 0	\$410,387
Transfers from Fixed Asset Account Group	0	0	2,768
Acceptance of Subdivisions	<u>4,372</u>	<u>0</u>	<u>0</u>
Contributed Capital, December 31	<u>\$919,282</u>	<u>\$ 0</u>	<u>\$413,155</u>

15. SEGMENT INFORMATION

The City's enterprise funds account for the provision of sewer and water services. The table below reflects, in a summarized format, the more significant data relating to the enterprise funds of the City of Canfield as of and for the year ended December 31, 1998:

	Water Fund	Sewer Fund	Storm Water Fund	Total
Operating Revenues	\$1,009,694	\$922,970	\$57,885	\$1,990,549
Operating Expenses Before Depreciation	759,152	592,739	31,242	1,383,133
Depreciation Expense	<u>171,132</u>	<u>98,673</u>	<u>51,075</u>	<u>320,880</u>
Operating Income	79,410	231,558	(24,432)	286,536
Net Non-Operating Revenues/Expenses	<u>36,656</u>	<u>(16,583)</u>	<u>6,921</u>	<u>26,994</u>
Net Income	<u>\$ 116,067</u>	<u>\$214,975</u>	<u>(\$17,511)</u>	<u>\$ 313,531</u>
Plant additions	\$29,813	\$54,666	\$3,530	\$88,009
Net Working Capital	\$2,072,241	\$980,360	\$181,297	\$3,233,898
Total Assets	\$8,592,300	\$4,383,190	\$2,215,789	\$15,191,278
Long-term Liabilities	\$728,000	\$696,000		\$1,424,000
Total Equity	\$7,756,617	\$3,630,483	\$2,214,175	\$13,601,275
Encumbrances	(\$116,383)	(\$253,251)	(\$51,269)	(\$420,903)

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

16. INTERFUND TRANSACTIONS

Interfund balances at December 31, 1998 consist of the following:

Funds	Due From	Due To	Interfund Receivable	Interfund Payable
General Fund		\$31,156	\$20,000	
Special Revenue Funds:				
Cemetery Fund	\$1,351			
Street Construction, Maintenance and Repair Fund	23,138			
State Highway Fund	2,543			
Juvenile Diversion Grant Fund				\$6,000
Cops More Grant Fund	_____			<u>14,000</u>
Subtotal	27,032			20,000
Expendable Trust Fund:				
Publications Fund	1,022			
Non-Expendable Trust Funds:				
Cemetery Perpetual Care Fund	2,502			
Fair Park Trust Fund	<u>600</u>			
Subtotal	<u>3,102</u>	_____	_____	_____
Grand Total	<u>\$31,156</u>	<u>\$31,156</u>	<u>\$20,000</u>	<u>\$20,000</u>

17. RESTATED FUND BALANCES/RETAINED EARNINGS

The general fund balance at December 31, 1997 was restated by \$193,207, from \$964,235 to \$1,157,442, due to adjustments to revenues, an overstatement of interest due to, an overstatement of intergovernmental payable, and an understatement of compensated absences payable.

The special revenue fund balances at December 31, 1997 were restated by (\$136,893), from \$740,770 to \$603,877, due to a fund reclassification and adjustments to revenues, an overstatement of interest due from, an overstatement of intergovernmental payable, and an understatement of compensated absences payable.

The debt service fund balances at December 31, 1997 were restated by (\$13,407), from \$316,528 to \$303,121, due to adjustments to revenues, an overstatement of interest due from and an understatement of unbilled accounts receivable.

The capital projects fund balances at December 31, 1997 were restated by (\$15,107), from \$481,645 to \$466,538, due to an overstatement of interest due from.

The enterprise funds' retained earnings at December 31, 1997 were restated by \$965,868 from \$10,989,439 to \$11,955,308, due to a fund reclassification, an understatement of fixed assets and contributed capital, an understatement of unbilled accounts receivable, an overstatement of compensated absences payable, an understatement of intergovernmental payable, an overstatement of interest due from, and adjustments to revenues.

The expendable trust fund balances at December 31, 1997 were restated by (\$22,673), from \$71,859 to \$49,186, due to a fund reclassification to the agency funds.

The general fixed asset account group balance at December 31, 1997 was restated by (\$2,076,203), from \$12,520,158 to \$10,443,955, due to a fund reclassification and an understatement of fixed assets.

**CITY OF CANFIELD
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

17. RESTATED FUND BALANCES/RETAINED EARNINGS - (Continued)

The general long-term debt account group balance at December 31, 1997 was restated by \$23,745, from \$2,531,848 to \$2,555,593, due to an overstatement of intergovernmental and compensated absences payable.



STATE OF OHIO
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the City Council:

We have audited the financial statements of the City of Canfield, Mahoning County, as of and for the year ended December 31, 1998, and have issued our report thereon dated May 10, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Canfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Canfield in a separate letter dated May 10, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Canfield's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City of Canfield in a separate letter dated May 10, 2001.

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

Jim Petro
Auditor of State

May 10, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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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 31, 2001**