



**Auditor of State
Betty Montgomery**

**CITY OF CANFIELD
MAHONING COUNTY**

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Auditor of State Betty Montgomery

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, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Canfield, Mahoning County, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2005 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.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

February 10, 2005

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**City of Canfield
Mahoning County**

**Combined Balance Sheet
All Fund Types and Account Groups
For the Year Ended December 31, 2003**

	Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	1,333,285	901,925	727,464	645,100
Investments	190,275			
Receivables:				
Taxes	306,289	415,781	268,725	0
Accounts	50,847	611,936	69	0
Unbilled Accounts Receivable	0	0	1,134	0
Interfund	208,600	48,174	0	0
Intergovernmental Receivable	81,419	305,453	15,893	10,464
Due from Other Funds	0	0	0	0
Inventories Held for Resale	0	0	0	0
Funds on Deposit with Deferred Compensation Boards	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Other Debits	<u>2,170,715</u>	<u>2,283,269</u>	<u>1,013,285</u>	<u>655,564</u>
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	90,871	108,205	878	274,769
Interfund Payable	0	188,600	20,000	48,174
Accrued Wages and Benefits	59,722	10,123	0	0
Compensated Absences Payable	9,212	879	0	0
Due to Other Funds	0	0	0	0
Intergovernmental Payable	17,955	3,309	0	0
Deferred Revenue	77,599	710,863	284,618	10,464
Deposits Held and Due to Others	0	0	0	0
OPWC Loans Payable	0	0	0	0
Deferred Compensation Payable	0	0	0	0
General Obligation Bonds Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	255,359	1,021,979	305,496	333,407
Fund Equity and Other Credits				
Contributed Capital	0	0	0	0
Investment in General Fixed Assets	0	0	0	0
Retained Earnings: Unreserved	0	0	0	0
Fund Balance: Reserved for Encumbrances	175,528	59,351	0	77,704
Fund Balance: Unreserved, Undesignated	1,739,827	1,201,937	707,790	244,452
Total Fund Equity and Other Credits	1,915,355	1,261,288	707,790	322,156
Total Liabilities, Fund Equity and Other Credits	<u>2,170,714</u>	<u>2,283,267</u>	<u>1,013,286</u>	<u>655,563</u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		Enterprise Funds	Trust and Agency Funds	
2,909,187	403,477			6,920,438
				190,275
0	0			990,795
84,668	1,200			748,720
256,282	0			257,416
0	0			256,774
0	0			413,229
0	0			0
3,640	0			3,640
0	0			0
13,377,077	0	20,365,659		33,742,736
0	0		707,790	707,790
0	0		<u>2,254,491</u>	<u>2,254,491</u>
<u>16,630,854</u>	<u>404,677</u>	<u>20,365,659</u>	<u>2,962,281</u>	<u>46,486,304</u>
319,604	0			794,327
0	0			256,774
10,890	0			80,735
27,314	0		143,199	180,604
0	0			0
14,931	0		118,970	155,165
0	0			1,083,544
0	90,815			90,815
649,954	0		387,612	1,037,566
0	0			0
<u>930,500</u>	<u>0</u>		<u>2,312,500</u>	<u>3,243,000</u>
1,953,193	90,815	0	2,962,281	6,922,530
6,196,557	0	0		6,196,557
0	0	20,365,659		20,365,659
8,481,102	146,153			8,627,255
0	0			312,583
0	167,709			4,061,715
14,677,659	313,862	20,365,659	0	39,563,769
<u>16,630,852</u>	<u>404,677</u>	<u>20,365,659</u>	<u>2,962,281</u>	<u>46,486,299</u>

**City of Canfield
Mahoning County**

**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types and Similar Trust Fund
For the Year Ended December 31, 2003**

	Governmental Fund Types			Capital Projects Funds	Fiduciary	Total (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds		Expendable Trust Funds	
Revenues						
Local Taxes	2,156,457	436,178	254,571	0	0	2,847,206
Intergovernmental Revenues	288,655	684,129	34,414	478,918	0	1,486,116
Special Assessments	0	22,520	0	0	0	22,520
Charges for Services	168,178	28,255	16,827	0	0	213,260
Fines, Licenses and Permits	125,131	650,336	0	0	0	775,467
Interest	100,342	12,855	0	0	2,138	115,335
Net Increase (Decrease) in the Fair Value of Investments	(3,298)	0	0	0	0	(3,298)
Miscellaneous	6,556	47,535	0	0	706	54,797
Total Revenues	2,842,021	1,881,808	305,812	478,918	2,844	5,511,403
Expenditures						
Current:						
Security of Person and Property	1,738,300	512,492	0	0	0	2,250,792
Public Health Services	52,745	40,065	0	0	0	92,810
Leisure Time Activities	0	134,357	0	0	0	134,357
Community Environment	84,452	0	0	0	0	84,452
Basic Utility Services	0	0	0	0	0	0
Transportation	8,653	548,891	0	0	0	557,544
General Government	678,921	7,476	0	0	0	686,397
Capital Outlay	112,765	200,024	0	3,181,266	0	3,494,055
Debt Service						
Principal Retirement	0	0	222,622	0	0	222,622
Interest and Fiscal Charges	0	0	106,943	0	0	106,943
Total Expenditures	2,675,836	1,443,305	329,565	3,181,266	0	7,629,972
Excess of Revenues Over (Under) Expenditures	166,185	438,503	(23,753)	(2,702,348)	2,844	(2,118,569)
Other Financing Sources						
Proceeds from Sale of Public Debt						
Sale of Bonds	0	0	0	0	0	0
Sale of Notes	0	0	0	1,300,000	0	1,300,000
Other Proceeds from Sale of Public Debt	0	0	0	0	0	0
Sale of Fixed Assets	3,370	0	0	0	0	3,370
Other Financing Sources	0	0	0	0	0	0
Transfers-In	0	110,975	77,425	1,372,810	0	1,561,210
Advances-In	0	0	0	0	0	0
Total Other Financing Sources/(Uses)	3,370	110,975	77,425	2,672,810	0	2,864,580
Other Financing Uses						
Other Financing Uses	0	0	0	0	0	0
Transfers-Out	300,625	370,585	0	890,000	0	1,561,210
Advances-Out	0	0	0	0	0	0
Total Other Financing Uses	300,625	370,585	0	890,000	0	1,561,210
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(131,070)	178,893	53,672	(919,538)	2,844	(815,199)
Fund Balances Beginning of Year	2,046,424	1,082,395	654,117	1,241,695	164,865	5,189,496
Fund Balances (Deficit) End of Year	1,915,354	1,261,288	707,789	322,157	167,709	4,374,297

See accompanying notes to the general purpose financial statements.

**City of Canfield
Mahoning County**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Fund
For the Year Ended December 31, 2003**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Taxes	2,071,000	2,018,475	(52,525)	440,941	440,795	(146)
Intergovernmental Revenues	190,950	288,655	97,705	885,372	674,804	(210,568)
Special Assessments	0	0	0	22,260	22,520	260
Charges for Services	8,613	6,359	(2,254)	27,500	28,255	755
Fines, Licenses and Permits	130,165	124,184	(5,981)	71,926	103,347	31,421
Interest Earnings	165,000	100,342	(64,658)	16,400	12,855	(3,545)
Miscellaneous	<u>8,139</u>	<u>6,556</u>	<u>(1,583)</u>	<u>33,920</u>	<u>33,421</u>	<u>(499)</u>
Total Revenues	2,573,867	2,544,571	(29,296)	1,498,319	1,315,997	(182,322)
Expenditures						
Current:						
Security of Person and Property	2,005,065	1,856,973	148,092	628,183	526,301	101,882
Public Health Services	60,100	104,245	(44,145)	54,417	41,509	12,908
Leisure Time Activities	0	0	0	134,611	79,300	55,311
Community Environment	128,670	87,344	41,326	0	0	0
Basic Utility Services	0	0	0	0	0	0
Transportation	30,000	13,105	16,895	814,541	562,526	252,015
General Government	876,370	693,382	182,988	5,400	7,481	(2,081)
Capital Outlay	298,590	131,016	167,574	358,244	237,876	120,368
Debt Service						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	3,398,795	2,886,065	512,730	1,995,396	1,454,993	540,403
Excess of Revenues Over (Under) Expenditures	(824,928)	(341,494)	483,434	(497,077)	(138,996)	358,081
Other Financing Sources						
Proceeds from Sale of Public Debt						
Sale of Bonds	0	0	0	0	0	0
Sale of Notes	0	0	0	0	0	0
Other Proceeds from Sale of Public Debt	0	0	0	0	0	0
Sale of Fixed Assets	4,000	3,370	(630)	0	0	0
Other Financing Sources	171,500	161,819	(9,681)	0	2,930	2,930
Transfers-In	0	0	0	137,000	110,975	(26,025)
Advances-In	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>188,600</u>	<u>188,600</u>
Total Other Financing Sources	175,500	165,189	(10,311)	137,000	302,505	165,505
Other Financing Uses						
Other Financing Uses	124,000	24,970	99,030	68,320	56,934	11,386
Transfers-Out	300,625	300,625	0	370,585	370,585	0
Advances-Out	<u>0</u>	<u>208,600</u>	<u>(208,600)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Uses	424,625	534,195	(109,570)	438,905	427,519	11,386
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,074,053)	(710,500)	363,553	(798,982)	(264,010)	534,972
Fund Balances Beginning of Year	1,768,900	1,768,900	0	709,363	709,363	0
Prior Period Adjustments	0	1,848	1,848	0	256,418	256,418
Prior Year Encumbrances Appropriated	(291,931)	287,479	(579,410)	30,110	30,110	0
Fund Balances (Deficit) End of Year	<u>402,916</u>	<u>1,347,727</u>	<u>(214,009)</u>	<u>(59,509)</u>	<u>731,881</u>	<u>791,390</u>

See accompanying notes to the general purpose financial statements.

**City of Canfield
Mahoning County**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual (Continued)
All Governmental Fund Types and Similar Trust Fund
For the Year Ended December 31, 2003**

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Taxes	260,828	259,071	(1,757)	0	0	0
Intergovernmental Revenues	34,140	34,414	274	1,101,552	478,918	(622,634)
Special Assessments	0	0	0	0	0	0
Charges for Services	10,000	16,567	6,567	0	0	0
Fines, Licenses and Permits	0	0	0	0	0	0
Interest Earnings	0	0	0	0	0	0
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	304,968	310,052	5,084	1,101,552	478,918	(622,634)
Expenditures						
Current:						
Security of Person and Property	0	0	0	0	0	0
Public Health Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Basic Utility Services	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Capital Outlay	0	0	0	3,534,122	3,258,970	275,152
Debt Service						
Principal Retirement	222,622	222,622	0	0	0	0
Interest and Fiscal Charges	<u>115,308</u>	<u>107,826</u>	<u>7,482</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	337,930	330,448	7,482	3,534,122	3,258,970	275,152
Excess of Revenues Over (Under) Expenditures	(32,962)	(20,396)	12,566	(2,432,570)	(2,780,052)	(347,482)
Other Financing Sources						
Proceeds from Sale of Public Debt						
Sale of Bonds	0	0	0	0	0	0
Sale of Notes	0	0	0	1,300,000	1,300,000	0
Other Proceeds from Sale of Public Debt	0	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Transfers-In	97,425	77,425	(20,000)	1,412,810	1,372,810	(40,000)
Advances-In	<u>0</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources	97,425	97,425	0	2,712,810	2,672,810	(40,000)
Other Financing Uses						
Other Financing Uses	0	0	0	0	0	0
Transfers-Out	0	0	0	890,000	890,000	0
Advances-Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Uses	0	0	0	890,000	890,000	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	64,463	77,029	12,566	(609,760)	(997,242)	(387,482)
Fund Balances Beginning of Year	647,791	648,674	883	588,501	588,501	0
Prior Period Adjustments						
Prior Year Encumbrances Appropriated	<u>883</u>	<u>883</u>	<u>0</u>	<u>701,368</u>	<u>701,368</u>	<u>0</u>
Fund Balances (Deficit) End of Year	<u>713,137</u>	<u>726,586</u>	<u>13,449</u>	<u>680,109</u>	<u>292,627</u>	<u>(387,482)</u>

See accompanying notes to the general purpose financial statements.

**City of Canfield
Mahoning County**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual (Continued)
All Governmental Fund Types and Similar Trust Fund
For the Year Ended December 31, 2003**

	Expendable Trust Funds			Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local Taxes	0	0	0	2,772,769	2,718,341	(54,428)
Intergovernmental Revenues	0	0	0	2,212,014	1,476,791	(735,223)
Special Assessments	0	0	0	22,260	22,520	260
Charges for Services	0	0	0	46,113	51,181	5,068
Fines, Licenses and Permits	0	0	0	202,091	227,531	25,440
Interest Earnings	1,000	2,138	1,138	182,400	115,335	(67,065)
Miscellaneous	<u>1,500</u>	<u>706</u>	<u>(794)</u>	<u>43,559</u>	<u>40,683</u>	<u>(2,876)</u>
Total Revenues	2,500	2,844	344	5,481,206	4,652,382	(828,824)
Expenditures						
Current:						
Security of Person and Property	0	0	0	2,633,248	2,383,274	249,974
Public Health Services	0	0	0	114,517	145,754	(31,237)
Leisure Time Activities	0	0	0	134,611	79,300	55,311
Community Environment	0	0	0	128,670	87,344	41,326
Basic Utility Services	0	0	0	0	0	0
Transportation	0	0	0	844,541	575,631	268,910
General Government	5,000	0	5,000	886,770	700,863	185,907
Capital Outlay	0	0	0	4,190,956	3,627,862	563,094
Debt Service						
Principal Retirement	0	0	0	222,622	222,622	0
Interest and Fiscal Charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>115,308</u>	<u>107,826</u>	<u>7,482</u>
Total Expenditures	5,000	0	5,000	9,271,243	7,930,476	1,340,767
Excess of Revenues Over (Under) Expenditures	(2,500)	2,844	5,344	(3,790,037)	(3,278,094)	511,943
Other Financing Sources						
Proceeds from Sale of Public Debt						
Sale of Bonds	0	0	0	0	0	0
Sale of Notes	0	0	0	1,300,000	1,300,000	0
Other Proceeds from Sale of Public Debt	0	0	0	0	0	0
Sale of Fixed Assets	0	0	0	4,000	3,370	(630)
Other Financing Sources	0	0	0	171,500	164,749	(6,751)
Transfers-In	0	0	0	1,647,235	1,561,210	(86,025)
Advances-In	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>208,600</u>	<u>208,600</u>
Total Other Financing Sources	0	0	0	3,122,735	3,237,929	115,194
Other Financing Uses						
Other Financing Uses	0	0	0	192,320	81,904	110,416
Transfers-Out	0	0	0	1,561,210	1,561,210	0
Advances-Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>208,600</u>	<u>(208,600)</u>
Total Other Financing Uses	0	0	0	1,753,530	1,851,714	(98,184)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,500)	2,844	5,344	(2,420,832)	(1,891,879)	528,953
Fund Balances Beginning of Year	164,865	164,865	0	3,879,420	3,880,303	883
Prior Period Adjustments				0	258,266	258,266
Prior Year Encumbrances Appropriated	0	0	0	440,430	1,019,840	(579,410)
Fund Balances (Deficit) End of Year	<u>162,365</u>	<u>167,709</u>	<u>5,344</u>	<u>1,899,018</u>	<u>3,266,530</u>	<u>208,692</u>

See accompanying notes to the general purpose financial statements.

**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, 2003**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	Non- Expendable Trust Funds	Agency Funds	
Operating Revenues					
Charges for Services	1,891,729		6,700		1,898,429
Interest Revenue	0		2,139		2,139
Other	<u>1,984</u>		<u>5,463</u>		<u>7,447</u>
Total Operating Revenues	1,893,713	0	14,302	0	1,908,015
Operating Expenses					
Personal Services	328,035		0		328,035
Travel/Transportation	0		0		0
Contractual Services	1,363,295		0		1,363,295
Supplies and Materials	27,225		0		27,225
Depreciation	405,405		0		405,405
Other	<u>102,874</u>		<u>0</u>		<u>102,874</u>
Total Operating Expenses	2,226,834	0	0	0	2,226,834
Operating Income	(333,121)	0	14,302	0	(318,819)
Non-Operating Revenues					
Interest Revenues	0		0		0
Local Taxes	0		0		0
Intergovernmental Revenue	0		0		0
Proceeds from Sale of Bonds	0		0		0
Proceeds from Sale of Notes	0		0		0
Other Proceeds from Sale of Public Debt	0		0		0
Sale of Assets	0		0		0
Transfers	<u>0</u>		<u>0</u>		<u>0</u>
Total Non-Operating Revenues	0	0	0	0	0
Non-Operating Expenses					
Interest and Fiscal Charges	62,396		0		62,396
Transfers-Out	<u>0</u>		<u>0</u>		<u>0</u>
Total Non-Operating Expenses	62,396	0	0	0	62,396
Net Non-Operating Revenues/Expenses	(62,396)	0	0	0	(62,396)
Net Income/Loss	(395,517)	0	14,302	0	(381,215)
Retained Earnings - January 1	<u>8,876,621</u>	<u>0</u>	<u>131,851</u>	<u>0</u>	<u>9,008,472</u>
Retained Earnings - December 31	<u>8,481,104</u>	<u>0</u>	<u>146,153</u>	<u>0</u>	<u>8,627,257</u>

See accompanying notes to the general purpose financial statements.

**City of Canfield
Mahoning County**

**Combined Statement Of Cash Flows
Proprietary Fund Types and Similar Trust Funds
For the Year Ended December 31, 2003**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise Funds	Non-Expendable Trust	(Memorandum Only)
<i>Increase in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	1,842,977	14,164	1,857,141
Cash Payments to Suppliers for Goods and Services	(27,651)	0	(27,651)
Cash Payments for Contractual Services	(1,505,309)	0	(1,505,309)
Cash Payments for Employee Services and Benefits	(321,286)	0	(321,286)
Cash Payments for Travel/Transportation	0	0	0
Other Operating Revenues	<u>1,984</u>	<u>0</u>	<u>1,984</u>
Net Cash Provided by Operating Activities	(9,285)	14,164	4,879
Cash Flows from Non-Capital Financing Activities			
Advance from Other Fund	0	0	0
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Flows from Non-Capital Financing Activities	0	0	0
Cash Flows from Capital and Related Financing Activities			
Proceeds from the Issuance of Notes	307,708	0	307,708
Proceeds from Sale of Capital Assets	0	0	0
Purchase of Fixed Assets	(382,632)	0	(382,632)
Principal Payments-General Obligation Bonds	(119,512)	0	(119,512)
Interest Payments-General Obligation Bonds	<u>(62,399)</u>	<u>0</u>	<u>(62,399)</u>
Net Cash Used in Capital and Related Financing Activities	(256,835)	0	(256,835)
Cash Flows from Investing Activities			
Interest on Investments	0	0	0
Net Increase in Cash and Cash Equivalents	(266,120)	14,164	(251,956)
Cash and Cash Equivalents Beginning of Year	<u>3,175,307</u>	<u>130,788</u>	<u>3,306,095</u>
Cash and Cash Equivalents End of Year	<u>2,909,187</u>	<u>144,952</u>	<u>3,054,139</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	(333,122)	14,302	(318,820)
Adjustments:			0
Depreciation	405,405	0	405,405
Interest		0	0
(Increase)/Decrease in Assets:			0
Accounts Receivable	(48,751)	(138)	(48,889)
Inventories			0
Increase/(Decrease) in Liabilities:			0
Accounts Payable	(39,567)	0	(39,567)
Accrued Wages and Benefits	(398)	0	(398)
Compensated Absences Payable	5,773	0	5,773
Intergovernmental Payable	<u>1,375</u>	<u>0</u>	<u>1,375</u>
Net Cash Provided by Operating Activities	(9,285)	14,164	4,879
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:			
Trust and Agency Funds		403,477	
Less: Agency Funds		(258,524)	
Nonexpendable Trust Fund		144,953	

See accompanying notes to the general purpose financial statements

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City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

Note 1 - Description of the City and Reporting Entity

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

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

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

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

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

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

Jointly Governed Organizations

Mahoning Valley Law Enforcement Task Force

The City agreed to become the fiscal agent for the Mahoning Valley Law Enforcement Task Force in April of 2003. The Mahoning Valley Law Enforcement Task Force (MVLETF) is jointly governed by its 24 participants: 20 local police departments, the Mahoning County Prosecutor's Office, 2 State Agencies and the FBI. Each participant has one representative on the Board of Control. Each participant's control over the operation of the Force is limited to its representation on the Board. The Force uses the talents and resources of the participants that make up the following teams: Drug Squad (combats trafficking of illicit narcotics), the Crisis Response Team (i.e., hostage situations, etc.), Firearms Trafficking, Gang

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

Activity, Violent Crimes, Apprehension of Violent Fugitives, High-crime-area Saturation Patrols and Canine Patrols, Vertical Prosecution, and the newest program of Homeland Security. Continued existence of the Force is not dependent on the City's continued participation. Funding is provided by the Governor's Office of Criminal Justice Services, HIDTA and Federal and State forfeitures and fines. None of the participants made financial contributions in 2003.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation -- Fund Accounting

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

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

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

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

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

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

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

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

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

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

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

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

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

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

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

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

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

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

B. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

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.

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, 2002, 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

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

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. This certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that the estimate needs to be either increased or decreased. The amount reported on the budgetary statement reflects the amounts in the final amended official certificate of estimated resources issued during 2003.

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

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

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

D. Cash and Cash Equivalents

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

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

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

E. Inventory

Inventories of governmental funds are stated at cost while the inventory of the proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Since the inventory balance at December 31, 2003 was not significant, an amount was not reported on the combined balance sheet.

F. Interfund Assets and Liabilities

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

G. Fixed Assets

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental type funds and capitalized (recorded and accounted for) in the general fixed assets account group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs, gutters, streets and sidewalks, drainage systems, and lighting systems are capitalized along with other general fixed assets.

Fixed assets utilized in the proprietary funds are capitalized in these funds.

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

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

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

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 2003, 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, Bureau of Worker's Compensation, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year-end are considered not to have been made with current expendable available financial resources. Bonds and long-term loans are recognized as a liability of the general long-term obligations account group until due.

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

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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

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.

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.

Note 3 - Budgetary Basis of Accounting

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

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

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

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

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

Excess of Revenues and Other Financing Sources					
Over (Under) Expenditures and Other Financing Uses					
All Governmental Fund Types and Similar Trust Fund					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(131,069)	178,893	53,673	(919,539)	2,844
Net Adjustment for					
Revenue Accruals	(135,631)	(562,881)	4,240	0	0
Advance In	0	188,600	20,000	0	0
Net Adjustment for					
Expenditure Accruals	39,685	101,422	(5)	274,769	0
Advance Out	(208,600)	0	0	0	0
Encumbrances	(274,883)	(170,042)	(878)	(352,473)	0
Budget Basis	(710,498)	(264,008)	77,030	(997,243)	2,844

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

Note 4 - Deposits and Investments

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

- 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).

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

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

Investments are stated at a cost that approximates market.

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

Deposits At year-end, the carrying amount of the City's deposits were (\$73,883) and the bank balance was \$20,112. The entire bank balance was covered by federal depository insurance. Cash on hand is \$1,710.

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

City of Canfield, Ohio
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for The Year Ended December 31, 2003

unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

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.

	Category 1	Category 3	Carrying Value	Market Value
Anthem Stock	190,275		190,275	190,275
Repurchase Agreements		2,230,576	2,230,576	2,230,576
STAR Ohio			4,715,695	4,715,695
Total Investments	190,275	2,230,576	7,136,546	7,136,546

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

	Cash and Cash Equivalents/ Deposits		Investments
GASB Statement No. 9	6,920,438		190,275
Cash on hand	(1,710)		
Investments of the cash management pool:			
Repurchase Agreements	(2,230,576)		2,230,576
STAR Ohio	(4,715,695)		4,715,695
GASB Statement No. 3	(27,543)		7,136,546

Note 5 - Taxes

A. Property Taxes

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

Assessed values are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. The latest reappraisal in Mahoning County was

City of Canfield, Ohio
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completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20, unless extended.

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

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

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, 2003, was \$3.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	171,181,970
Public Utility Property	2,989,480
Tangible Personal Property	<u>9,746,610</u>
Total Valuation	<u><u>183,918,060</u></u>

B. Income Taxes

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

Residents: Individuals 18 years of age and over pay the tax on income from all sources no matter where derived. The following is taxable, but is not limited to, gross salaries, gross wages, commissions, tips, gratuities and other compensation. The tax is paid on earnings, payments, bonuses, commissions, and fees received by professionals, brokers and independent contractors 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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

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.

Note 6 - Receivables

Receivables at December 31, 2003, 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:

City of Canfield, Ohio
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	<i>Amount</i>
<i>General Fund:</i>	
Revenue Assistance	11,110
Local Government	70,309
Estate Tax	-
Federal Grant-HIDTA Reimbursement	-
Total General Fund	81,419
 <i>Special Revenue Funds:</i>	
Street Construction, Maintenance and Repair	161,904
State Highway	11,151
Cops In School Grant	14,222
MVLETF Byrne Grant	93,084
MVLETF HIDTA Reimbursement	25,092
Total Special Revenue Funds	305,453
 <i>Debt Service Funds:</i>	
GO Debt Retirement Fund	8,476
Storm Water Debt Retirement Fund	4,768
Red Gate Debt Retirement Fund	2,649
Total Debt Service Funds	15,893
 <i>Capital Project Funds:</i>	
Intermodel ODOT Grant-Sidewalks	8,477
E Main St Safety Upgrade - Phase 2	1,987
Total Capital Project Funds	10,464
Total	413,229

Note 7 - Contingencies

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2003.

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, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

Note 8 - Fixed Assets

A summary of the enterprise funds; property, plant and equipment at December 31, 2003, follows:

	Balance 1/01/2003	Additions	Deductions	Transfers	Balance 12/31/2003
Land	9,140				9,140
Buildings	1,547,674				1,547,674
Equipment	385,857	4,859			390,716
Infrastructure	17,258,250	50,012			17,308,262
Construction in Progress	97,897	617,419	(7,801)		707,515
Total	19,298,818	672,290	(7,801)	0	19,963,307
Less: Accumulated Depreciation	(6,180,825)	(405,405)			(6,586,230)
Net Fixed Assets	13,117,993	266,885	(7,801)	0	13,377,077

A summary of changes in general fixed assets follows:

	Balance 12/31/2002	Adjusted Balance 1/1/2003	Additions	Deductions	Balance 12/31/2003
Land	609,560	609,560	1,375,133		1,984,693
Buildings	2,148,335	2,148,335	933,999		3,082,334
Improvements Other Than Buildings	55,587	55,587	2,088		57,675
Equipment	2,343,460	2,965,812	277,507	(35,975)	3,207,344
Infrastructure	11,001,817	11,001,817	1,204		11,003,021
Construction in Progress	276,237	276,237	758,987	(4,633)	1,030,591
Total	16,434,996	17,057,348	3,348,918	(40,608)	20,365,658

Adjustment

The City became the fiscal agent for the Mahoning Valley Law Enforcement Task Force in May of 2003. The adjustment to the beginning asset balance of \$622,352 is to add the equipment that the Task Force owned prior to coming to Canfield. Fixed asset values were initially determined at May 1, 2003, 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.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

Note 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 2003 are as follows:

Debt Issue	Date of Issuance	Interest Rate	Original Issue Amount	Year of Maturity	Principal Outstanding 12/31/2002	Additions During Year	Reductions During Year	Principal Outstanding 12/31/2003
Enterprise Fund Obligations								
<i>Ohio Public Works Commission Loans:</i>								
Sawmill Sanitary Main Replacement	2002	No Interest	360,230	2021	333,213		18,012	315,201
Sawmill Sanitary Main Lining	2003	No Interest	334,753	2024	27,045	307,708		334,753
Subtotal					360,258	307,708	18,012	649,954
<i>General Obligation Bonds:</i>								
Water Main Construction	09/01/94	6.25%	250,000	2014	150,000		12,500	137,500
Water Storage Tank	12/01/92	6.00%	750,000	2012	380,000		38,000	342,000
Northwest Interceptor	05/01/86	7.75%	570,000	2006	120,000		30,000	90,000
Sewer System Improvement	03/01/96	5.00%	500,000	2015	382,000		21,000	361,000
Subtotal					1,032,000	-	101,500	930,500
Total Enterprise Fund Obligations					1,392,258	307,708	119,512	1,580,454
General Long Term Obligations (GLTDAG)								
<i>Ohio Public Works Commission Loans:</i>								
Hillside Drive Replacement	1992	3.00%	141,123	2008	54,192		10,203	43,989
Brookpark Storm Water Imp.	1994	No Interest	55,432	2015	31,375		2,728	28,647
Hillside Storm Water Imp.	1994	No Interest	157,839	2014	86,596		7,872	78,724
Court St Area Storm Water Imp.	2000	No Interest	286,367	2020	250,571		14,318	236,253
Subtotal					422,734	-	35,121	387,613
<i>General Obligation Bonds:</i>								
Storm Water Improvement	12/01/92	6.00%	500,000	2012	250,000		25,000	225,000
Water System Improvement	05/01/86	7.75%	2,500,000	2006	500,000		125,000	375,000
Red Gate Land Acquisition	07/01/03	2.78%	1,300,000	2008		1,300,000		1,300,000
Municipal Complex Improvement	09/01/94	6.25%	750,000	2014	450,000		37,500	412,500
Subtotal					1,200,000	1,300,000	187,500	2,312,500
<i>Compensated Absences</i>					118,446	24,753		143,199
<i>Intergovernmental Payable</i>					97,329	118,970	97,329	118,970
Total General Long Term Obligations (GLTDAG)					1,838,509	1,443,723	319,950	2,962,282

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

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 \$16,611,283 at December 31, 2003. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003, are as follows:

	Enterprise				GLTDAG				Grand Total 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	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	
2004	18,012	315,201	157,541	1,233,013	36,672	390,633	292,586	3,124,522	5,063,369
2005	18,012	297,189	153,000	1,075,472	36,672	353,961	278,954	2,831,936	4,558,558
2006	18,012	279,177	147,354	922,472	36,672	317,289	265,423	2,552,982	4,071,920
2007	18,012	261,165	111,655	775,118	36,672	280,617	126,892	2,287,559	3,604,459
2008	18,012	243,153	109,229	663,463	24,919	243,945	188,149	2,160,667	3,311,228
2009	18,012	225,141	105,698	554,234	24,919	219,026	182,372	1,972,518	2,970,919
2010	18,012	207,129	102,114	448,536	24,919	194,107	176,697	1,790,146	2,639,918
2011	18,012	189,117	99,478	346,422	24,919	169,188	171,021	1,613,449	2,318,176
2012	18,012	171,105	96,736	246,944	24,919	144,269	165,425	1,442,428	2,004,746
2013	18,012	153,093	54,890	150,208	24,919	119,350	134,669	1,277,003	1,699,654
2014	18,012	135,081	54,271	95,318	15,682	94,431	130,493	1,142,334	1,467,164
2015	18,012	117,069	41,047	41,047	14,318	78,749	88,817	1,011,841	1,248,706
2016	18,012	99,057	0	0	14,318	64,431	87,045	923,024	1,086,512
2017	18,012	81,045			14,318	50,113	85,153	835,979	967,137
2018	18,012	63,033			14,318	35,795	83,321	750,826	849,654
2019	18,012	45,021			14,318	21,477	81,489	667,505	734,003
2020	18,012	27,009			7,159	7,159	79,697	586,016	620,184
2021	8,997	8,997			0	0	77,825	506,319	515,316
2022	0	0					75,993	428,494	428,494
2023							74,160	352,501	352,501
2024							72,348	278,341	278,341
2025							70,496	205,993	205,993
2026							68,664	135,497	135,497
2027							66,832	66,832	66,832
2028							0	0	0
Total	315,201		1,233,013		390,633		3,124,521		

The City has initiated another 0% interest OPWC Issue 2 Loan for lining another section of the Sawmill Sanitary Sewer. This project is under construction The loan amount could be up to \$500,000 and will be amortized over 20 years. . The total loan amount received from the OPWC as of December 31, 2003 is \$334,753. Once the entire project is completed and the final draw down occurs, the repayment schedule will be determined. The project is tentatively scheduled to be completed in 2004.

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

Note 10 - Employee Benefits

H. A. 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, 2003, the liability for unpaid compensated absences was \$179,949 for the entire City.

Note 11 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

All City full-time employees, other than Police and Firemen, participate in the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS administers three separate pension plans as described below: 1) The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan. 2) The Member-Directed Plan (MD) - 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 member and (vested) employer contributions plus any investment earnings thereon. 3) The Combined Plan (CO) - a cost-sharing multiple-employer defined pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan. OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS 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) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The employee contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which consists generally of sheriff, deputy sheriffs, and township police, contributed at a rate of 10.1%. Public safety division members contributed at 9%. The 2003 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. For both the law enforcement and public safety divisions, employer rate was 16.70% of covered payroll. The City's required employer contributions for all plans (TP, MD and CO) to OPERS for the years ending December 31, 2003, 2002 and 2001 were \$146,502, \$141,573, and \$130,603 respectively. The full amount has been contributed for

City of Canfield, Ohio
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2002 and 2001. 90.97% has been contributed for 2003 with the remainder being reported as a fund liability and included in the intergovernmental payables on the balance sheet.

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 pension benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP & F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP & F, 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 OP & F for the years ending December 31, 2003, 2002 and 2001 were \$162,688, \$149,808, and \$140,059 respectively. The full amount has been contributed for 2002 and 2001. 73.08% has been contributed for 2003 with the remainder being reported as a fund liability and in the general long-term obligation account group.

Note 12 – Post-employment Benefits

A. Ohio Public Employees Retirement System (OPERS)

Ohio Public Employees Retirement System of Ohio (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety with separate employee contribution rates and benefits. The 2003 employer contribution rate for state employers was 13.31% of covered payroll; of which 5.0% was used to fund health care for the year. For local government employer units, the rate was 13.55% of covered payroll for employees, and 5.0% was used to fund health care for the year 2003. For both the law enforcement and public safety divisions, the 2003 employer rate was 16.70%, and 5.0% 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 OPERS.

OPEB's are advance-funded on an actuarially determined basis. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively. As of December 31, 2002, the unaudited estimated net assets available for future

City of Canfield, Ohio
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OPEB payments were \$10.0 billion. The total number of active contributing participants in the Traditional and Combined Plans at December 31, 2003 was 364,881. The City's actual contributions for 2003, which were used to fund OPEB, were \$54,059. The assumptions and calculations were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8.00%. An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%. Health care costs are assumed to increase 4.00% annually.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

I. B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP & F) provides access to post-retirement health care coverage for 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 Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP & F 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 OP & F's Board of Trustees to provide health care coverage to all eligible individuals.

City of Canfield, Ohio
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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 7.75% of covered payroll in 2002 and 2003, respectively. In addition, since July 1, 1992, most retirees and survivors were 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 number of participants eligible to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available, are 13,527 for Police and 10,396 for Firefighters. The City's actual contributions for 2003 that were used to fund post-employment benefits were \$64,587 for Police. OP & F's total health care expenses for the year ending December 31, 2002, the date of the last actuarial valuation available, was \$141,028,006, which was net of member contributions of \$12,623,875.

Note 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 2003, the City contracted with several companies for various types of insurance as follows

Company	Type of Coverage	Deductible
Scottsdale Indemnity Company	General Liability	None
	Umbrella Liability	None
	General Property Insurance	500
	Commercial Inland Marine	500
	Commercial Property	500
	Commercial Automobile - Comprehensive	767
	Commercial Automobile - Collision	3,286
Western Surety/State Auto Insurance Company	Bonds - Employees & Officials	None
Columbia Casualty Company	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.

Note 14 – Enterprise Fund Contributed Capital

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

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

	Water Enterprise	Sanitary Sewer Enterprise	Storm Water Enterprise
Contributed Capital, January 1, 2003	3,645,323	77,900	2,337,159
Contributions from State Government	0	0	0
Transfers from Fixed Asset Account Group	0	0	136,175
Contributed Capital, December 31, 2003	<u>3,645,323</u>	<u>77,900</u>	<u>2,473,334</u>

Note 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, 2003:

The City's enterprise funds account for the provision of sewer and water services.

	Water Fund	Sewer Fund	Storm Water Fund	Total
Operating Revenues	827,598	991,886	74,228	1,893,712
Operating Expenses Before Depreciation	762,045	992,207	67,177	1,821,429
Depreciation Expense	204,906	121,074	79,425	405,405
Operating Income	(139,353)	(121,395)	(72,374)	(333,122)
Net Operating Revenues/Expenses	<u>(32,175)</u>	<u>(30,221)</u>	<u>0</u>	<u>(62,396)</u>
Net Income	(171,528)	(151,616)	(72,374)	(395,518)
Plant additions	56,066	456,480	15,768	528,314
Net Working Capital	2,224,810	454,460	198,127	2,877,397
Total Assets	8,146,521	5,125,885	3,358,447	16,630,853
Long-term Liabilities	479,500	1,100,954	0	1,580,454
Total Equity	7,558,759	3,805,366	3,313,534	14,677,659
Encumbrances	(99,850)	(201,528)	(43,357)	(344,735)

City of Canfield, Ohio
Notes to The General Purpose Financial Statements
for The Year Ended December 31, 2003

Note 16 - Interfund Transactions

Interfund receivable or payable balances at December 31, 2003.

Funds	Due From	Due To	Interfund Receivable	Interfund Payable
General Fund			208,600	
Special Revenue Funds				
Street C M & R Fund			48,174	
Red Gate Operating Fund				10,000
MVLETF Byrne Grant Fund				131,100
MVLETF HIDTA Reimbursement Fund				47,500
Capital Projects Funds				
Intermodel ODOT Grant - Sidewalks				48,174
Debt Service Fund				
Red Gate Debt Retirement Fund				20,000
Grand Total	0	0	256,774	256,774

Note 17 – Prior Period Adjustments

The City became the fiscal agent for the Mahoning Valley Law Enforcement Task Force in May of 2003. The following funds were created to add the receipt of cash from the Mahoning Valley Law Enforcement Task Force to create their beginning balances:

	Fund Equity 12/31/2002	Add Beginnng Balances	Adjusted Fund Equity 1/1/2003
Special Revenue Funds			
MVLETF State Law Enforcement Trust Fund		36,252	36,252
MVLETF Federal Law Enforcement Trust Fund		302,685	302,685
MVLETF Byrne Grant Fund		(72,235)	(72,235)
MVLETF Surveillance Van Fund		46,008	46,008
MVLETF HIDTA Reimbursement Fund		(56,292)	(56,292)
Total	-	256,418	256,418

City of Canfield, Ohio
*Schedule of Federal Awards Expenditures
for The Year Ended December 31, 2003*

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>US Department of Justice</u>				
<i>Direct Programs</i>				
Cops In School		16.710	40,233	56,245
<i>Passed Through Governor's Office of Criminal Justice Services</i>				
Byrne Formula Grant Program 2003	2002-DG-A01-7054	16.579	190,586	229,493
<i>Passed Through Mahoning Valley Law Enforcement Task Force</i>				
Federal Equitable Sharing Program - MVLETF		No CFDA	67,080	189,965
Federal Equitable Sharing Program - Canfield Police		No CFDA	<u>16,978</u>	<u>45</u>
<i>Total US Department of Justice</i>			<u>314,877</u>	<u>475,748</u>
<u>US Department of Transportation</u>				
<i>Passed Through Ohio Department of Transportation</i>				
MAH Bikeway Canfield	PID No. 23017 Project No. 02N065	20.205	39,697	7,170
<i>Total US Department of Transportation</i>			<u>39,697</u>	<u>7,170</u>
Total Expenditures of Federal Awards			<u>354,574</u>	<u>482,918</u>

The accompanying notes to this schedule are an integral part of this schedule.

City of Canfield, Ohio
*Notes to the Schedule of Federal Awards Expenditures
for The Year Ended December 31, 2003*

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Award Expenditures (the schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

Note B – Matching Requirements

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure on non-Federal matching funds is not included on the Schedule.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY CITY 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 (the City), as of and for the year ended December 31, 2003 and have issued our report thereon dated February 10, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the City's management in a separate letter dated February 10, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting 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 the City's management in a separate letter dated February 10, 2005.

This report is intended for the information and use of management, City Council, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 10, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the City Council:

Compliance

We have audited the compliance of the City of Canfield, Mahoning County (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The City of Canfield's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Canfield's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City of Canfield's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Canfield's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the City of Canfield is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 10, 2005

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**CITY OF CANFIELD
MAHONING COUNTY
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § 510?	No
<i>(d)(1)(vii)</i>	Major Programs:	Byrne Formula Grant/CFDA – 16.579 COPS in School Grant/CFDA – 16.710
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	
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None

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	
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None



**Auditor of State
Betty Montgomery**

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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
MARCH 15, 2005**