

City of Canfield

Mahoning County, Ohio

Regular Audit

January 1, 2010 through December 31, 2010

Fiscal Year Audited Under GAGAS: 2010



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Dave Yost • Auditor of State

City Council
City of Canfield
104 Lisbon Street
Canfield, Ohio 44406

We have reviewed the *Independent Auditor's Report* of the City of Canfield, Mahoning County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 30, 2011

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City of Canfield
Mahoning County, Ohio

Table of Contents

For the Fiscal Year Ended December 31, 2010

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) -	
General Fund.....	24
Street Construction, Maintenance and Repair Fund	25
Statement of Net Assets - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Statement of Net Assets - Fiduciary Funds	29
Statement of Changes in Net Assets - Fiduciary Fund.....	30
Notes to the Basic Financial Statements	31
Supplementary Information	62
Combining Balance Sheets:	
Governmental Funds	63
General Fund	65
Special Revenue Funds.....	66

**City of Canfield
Mahoning County, Ohio**

Table of Contents
(Continued)

For the Fiscal Year Ended December 31, 2010

Debt Service Funds.....	68
Capital Projects Funds.....	69
Permanent Funds	70
Combining Statements of Revenues, Expenditures and Changes in Fund Balance:	
Governmental Funds	71
General Fund	73
Special Revenue Funds.....	74
Debt Service Funds.....	76
Capital Projects Funds.....	77
Permanent Funds	78
Combining Statement of Net Assets - Proprietary Funds:	
Water Funds	79
Sewer Funds	80
Storm Funds	81
Combining Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds:	
Water Funds	82
Sewer Funds	83
Storm Funds	84
Combining Statement of Net Assets - Fiduciary Funds:	
Private Purpose Trust Funds.....	85
Agency Funds.....	86
Combining Statement of Changes in Net Assets - Fiduciary Funds:	
Private Purpose Trust Funds.....	87
Agency Funds.....	88
Report on Internal Control over Financial Reporting and on Compliance and	
Other Matters Required by <i>Government Auditing Standards</i>	89



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, Ohio, (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

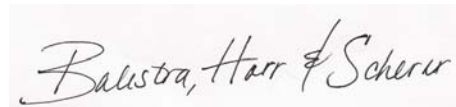
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Street Construction, Maintenance and Repair 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 June 24, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The supplementary information on pages 62 to 88 provides additional information and is not a required part of the basic financial statements. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

As described in Note 3A to the basic financial statements, the City implemented Government Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.



Balestra, Harr & Scherer, CPAs, Inc.

June 24, 2011

**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

The management's discussion and analysis of the City of Canfield's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- The total net assets of the City increased \$1,854,804. Net assets of governmental activities increased \$734,319 or 4.59% from 2009 and net assets of business-type activities increased \$1,120,485 or 6.55% over 2009.
- General revenues accounted for \$3,637,711 of total governmental activities revenue. Program specific revenues accounted for \$1,812,160 or 33.25% of total governmental activities revenue.
- The City had \$4,715,552 in expenses related to governmental activities; \$1,812,160 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,903,392 were offset by general revenues (primarily taxes and unrestricted grants and entitlements) of \$3,637,711.
- The general fund had revenues and other financing sources of \$3,408,043 in 2010. This represents an increase of \$119,077 from 2009. The expenditures and other financing uses of the general fund, which totaled \$3,571,787 in 2010, increased \$238,108 from 2009. The net decrease in fund balance for the general fund was \$163,744 or 7.48%.
- The street construction maintenance and repair fund had revenues and other financing sources of \$959,309 in 2010. The expenditures of the street construction maintenance and repair fund, totaled \$786,343 in 2010. The net increase in fund balance for the street construction maintenance and repair fund was \$172,966 or 19.14%.
- Net assets for the business-type activities, which are made up of the Sewer, Water and Storm Water enterprise funds, increased in 2010 by \$1,120,485 over the prior year. This increase was primarily due to an increase in revenue from grant reimbursements for the NE Storm Water Projects and capital contributions.
- In the general fund, the actual revenues and other financing sources came in \$105,084 higher than they were in the final budget and actual expenditures and other financing uses were \$391,473 less than the amount in the final budget. Budgeted expenditures were increased \$184,816 from the original to the final budget. Budgeted revenues were the same from the original to the final budget.
- In 2010 the City accepted two subdivisions which increased land and infrastructure in capital assets in the Governmental and Business-type activities.
- The City replaced twelve computer servers with a "private cloud" system. Setup work was in progress at year end. One of the benefits of the new system is that it is redundant. If half of the system fails the system will stay up and running. Another benefit is that when we run out of space the system can be expanded instead of having to purchase new servers and pay for labor and installation plus the down time.
- Significant capital improvements to the city in 2010 were the federal stimulus projects on Herbert Rd and Fairground Blvd and Phase 5 of the Issue 2 Storm Water Projects.

**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2010 and 2009:

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>						
Current and other assets	\$ 5,621,202	\$ 5,435,772	\$ 3,983,762	\$ 3,522,468	\$ 9,604,964	\$ 8,958,240
Capital assets	<u>13,423,218</u>	<u>12,923,919</u>	<u>14,920,411</u>	<u>14,156,678</u>	<u>28,343,629</u>	<u>27,080,597</u>
Total assets, net	<u>19,044,420</u>	<u>18,359,691</u>	<u>18,904,173</u>	<u>17,679,146</u>	<u>37,948,593</u>	<u>36,038,837</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	1,481,800	1,519,550	503,932	542,600	1,985,732	2,062,150
Other liabilities	<u>827,015</u>	<u>838,855</u>	<u>165,760</u>	<u>22,550</u>	<u>992,775</u>	<u>861,405</u>
Total liabilities	<u>2,308,815</u>	<u>2,358,405</u>	<u>669,692</u>	<u>565,150</u>	<u>2,978,507</u>	<u>2,923,555</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	12,104,028	11,579,810	14,430,282	13,625,383	26,534,310	25,205,193
Restricted	2,225,200	1,937,576	-	-	2,225,200	1,937,576
Unrestricted	<u>2,406,377</u>	<u>2,483,900</u>	<u>3,804,199</u>	<u>3,488,613</u>	<u>6,210,576</u>	<u>5,972,513</u>
Total net assets	<u>\$ 16,735,605</u>	<u>\$ 16,001,286</u>	<u>\$ 18,234,481</u>	<u>\$ 17,113,996</u>	<u>\$ 34,970,086</u>	<u>\$ 33,115,282</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$34,970,086. At year-end, net assets were \$16,735,605 and \$18,234,481 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 74.69% of total assets. Capital assets include land, buildings, land improvements, equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$12,104,028 and \$14,430,282 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$2,225,200, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$2,406,377 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

The table below shows the changes in net assets for fiscal year 2010 and 2009:

Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 431,714	\$ 400,013	\$ 2,845,572	\$ 2,758,755	\$ 3,277,286	\$ 3,158,768
Operating grants and contributions	660,962	673,241	-	-	660,962	673,241
Capital grants and contributions	719,484	9,028	987,529	885,463	1,707,013	894,491
Total program revenues	1,812,160	1,082,282	3,833,101	3,644,218	5,645,261	4,726,500
General revenues:						
Property taxes	564,459	524,353	-	-	564,459	524,353
Income taxes	2,349,758	2,353,751	-	-	2,349,758	2,353,751
Unrestricted grants and entitlements	677,528	403,571	-	-	677,528	403,571
Increase/decrease in fair value of investments	(7,256)	81,996	(28)	-	(7,284)	81,996
Investment earnings	26,085	32,005	-	-	26,085	32,005
Miscellaneous	27,137	116,128	933	797	28,070	116,925
Total general revenues	3,637,711	3,511,804	905	797	3,638,616	3,512,601
Total revenues	5,449,871	4,594,086	3,834,006	3,645,015	9,283,877	8,239,101
Expenses:						
General government	910,332	916,106	-	-	910,332	916,106
Security of persons and property	2,460,922	2,262,729	-	-	2,460,922	2,262,729
Public health and welfare	60,019	59,767	-	-	60,019	59,767
Leisure time activity	108,770	97,046	-	-	108,770	97,046
Community environment	94,611	88,742	-	-	94,611	88,742
Transportation	1,025,216	832,667	-	-	1,025,216	832,667
Other	759	8,285	-	-	759	8,285
Interest and fiscal charges	54,923	80,692	-	-	54,923	80,692
Water	-	-	1,352,695	1,279,699	1,352,695	1,279,699
Sewer	-	-	1,181,846	1,186,984	1,181,846	1,186,984
Storm	-	-	178,980	157,673	178,980	157,673
Total expenses	4,715,552	4,346,034	2,713,521	2,624,356	7,429,073	6,970,390
Change in net assets	734,319	248,052	1,120,485	1,020,659	1,854,804	1,268,711
Net assets at beginning of year	16,001,286	15,753,234	17,113,996	16,093,337	33,115,282	31,846,571
Net assets at end of year	\$ 16,735,605	\$ 16,001,286	\$ 18,234,481	\$ 17,113,996	\$ 34,970,086	\$ 33,115,282

**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Governmental Activities

Governmental activities net assets increased \$734,319 in 2010. The majority of this increase is the result of an increase in capital grants & contributions and unrestricted grants and entitlements. The City accepted two subdivisions in 2010 resulting in \$642,320 in capital contributions and estate tax revenue of \$437,177 was substantially higher than the previous year.

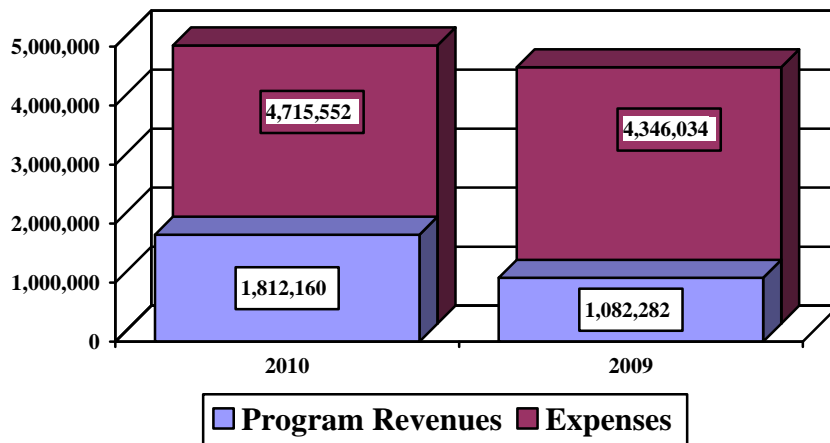
Security of persons and property which primarily supports the operations of the police department and street lights accounted for \$2,460,922 or 52.19% of the total expenses of the City. Security of persons and property expenses were partially funded by \$359,659 in direct charges to users of the services. General government expenses totaled \$910,332. General government expenses were partially funded by \$302,295 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$660,962 in operating grants and contributions and \$719,484 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$460,373 subsidized transportation programs.

General revenues totaled \$3,637,711, and amounted to 66.75% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,914,217. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and estate tax revenue, making up \$677,528.

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

Governmental Activities – Program Revenues vs. Total Expenses

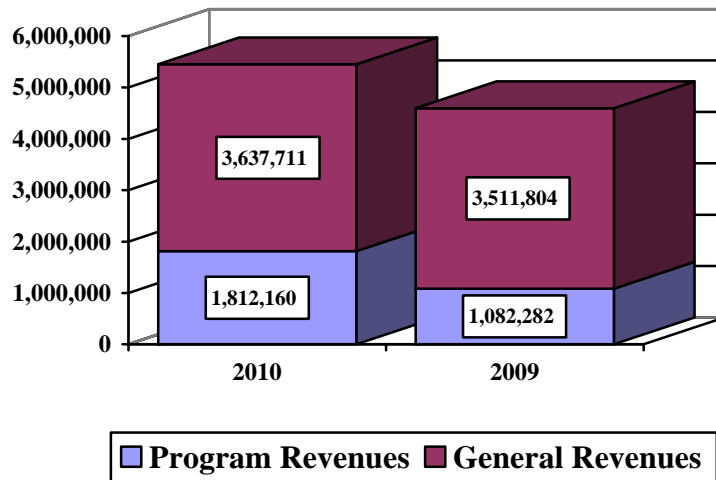


**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2010	2010	2009	2009
Program Expenses:				
General government	\$ 910,332	\$ 608,037	\$ 916,106	\$ 571,797
Security of persons and property	2,460,922	2,101,263	2,262,729	2,050,907
Public health and welfare	60,019	42,236	59,767	51,540
Leisure time activity	108,770	91,093	97,046	80,854
Community environment	94,611	82,558	88,742	53,404
Transportation	1,025,216	(77,477)	832,667	366,273
Other	759	759	8,285	8,285
Interest and fiscal charges	54,923	54,923	80,692	80,692
Total	\$ 4,715,552	\$ 2,903,392	\$ 4,346,034	\$ 3,263,752

The dependence upon general revenues for governmental activities is apparent, with 77.14% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2010 and 2009.

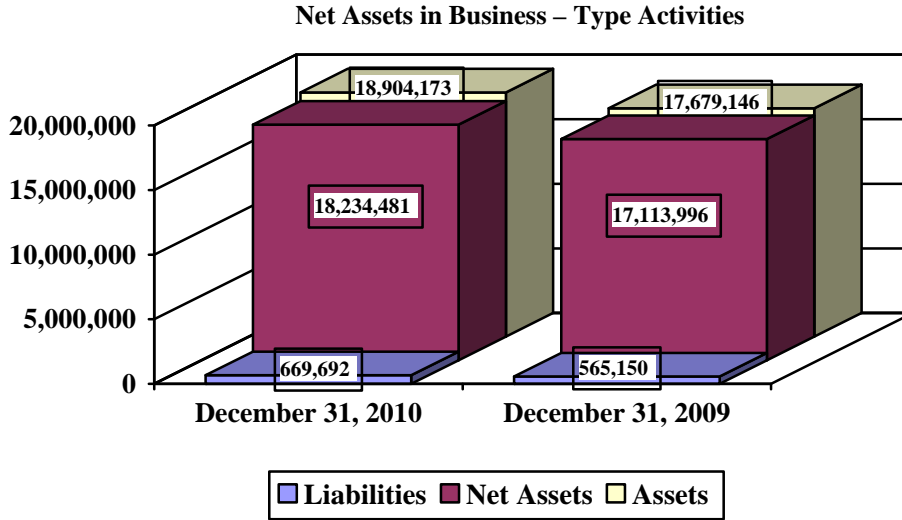
Governmental Activities – General and Program Revenues



**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Business-type Activities

Business-type activities include the sewer, water and storm water enterprise funds. These programs had operating revenues of \$3,833,101, general revenues of \$905 and expenses of \$2,713,521 for 2010. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$4,005,854 which is a increase of \$116,123 over last year's total of \$3,889,731.

**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 for all major and non-major governmental funds.

	<u>Fund Balances</u> <u>12/31/10</u>	<u>Fund Balances</u> <u>12/31/09</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 2,026,720	\$ 2,190,464	\$ (163,744)
Street Construction, Maintenance and Repair	1,076,429	903,463	172,966
Other Nonmajor Governmental Funds	<u>902,705</u>	<u>795,804</u>	<u>106,901</u>
Total	\$ 4,005,854	\$ 3,889,731	\$ 116,123

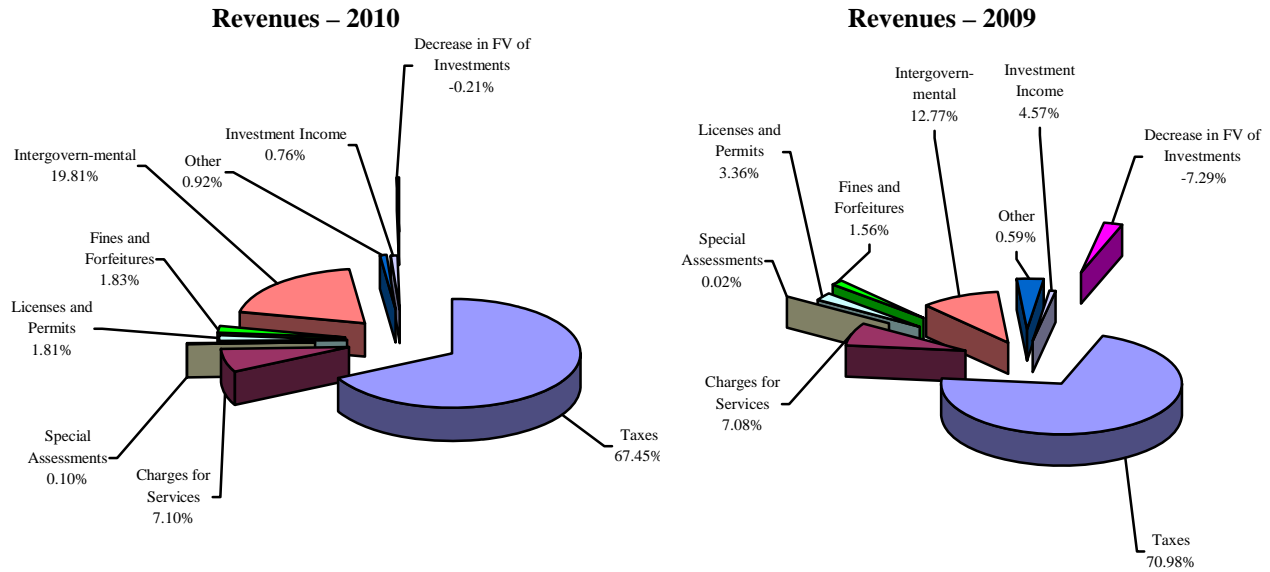
General Fund

The City's general fund balance decreased \$163,744. The table that follows assists in illustrating the revenues of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Income Taxes	\$ 2,308,433	\$ 2,332,004	(1.01) %
Special Assessments	3,477	675	415.11 %
Charges for Services	243,066	243,080	(0.01) %
Licenses and Permits	61,917	83,323	(25.69) %
Fines and Forfeitures	62,644	52,886	18.45 %
Intergovernmental	678,062	343,948	97.14 %
Investment income	26,085	32,005	(18.50) %
Increase/(Decrease) in Fair Value of Investments	(7,256)	81,996	(108.85) %
Other	<u>31,614</u>	<u>115,701</u>	(72.68) %
Total	<u>\$ 3,408,042</u>	<u>\$ 3,285,618</u>	3.73 %

Income tax revenue represents 67.73% of all general fund revenue. Income tax revenue decreased 1.01% over the prior year. The next significant decrease was in the fair value of investments. The large fluctuation in stock value in 2009 was from the come-back of stock values from 2008. Since then the values have been fluctuating slightly up and down. The next significant decrease in revenue is in the other category which had a one-time receipt of \$100,000 from First Energy in 2009 and wasn't expected to be repeated in 2010. The next significant decrease in revenue was for in the licenses and permits category was for zoning permits due to the decline in building activity. The last significant decrease was in investment income. All of the decreases except for the one-time First Energy receipt in 2009 are due to the national economical crisis. The intergovernmental revenue increase was related to the inheritance tax. The inheritance tax generally fluctuates from year to year and is not a revenue that can be relied upon

**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

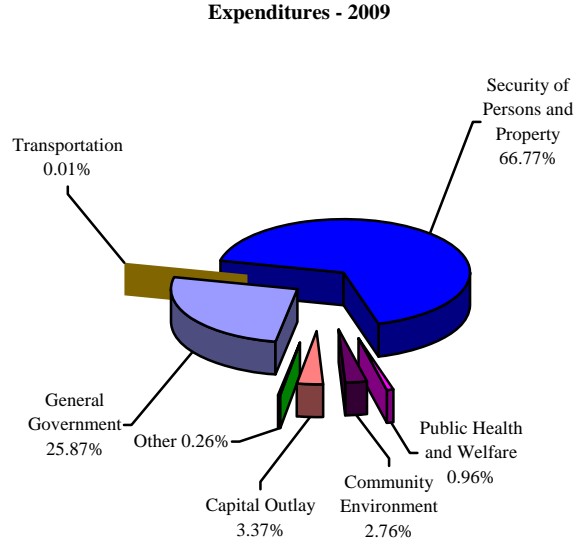
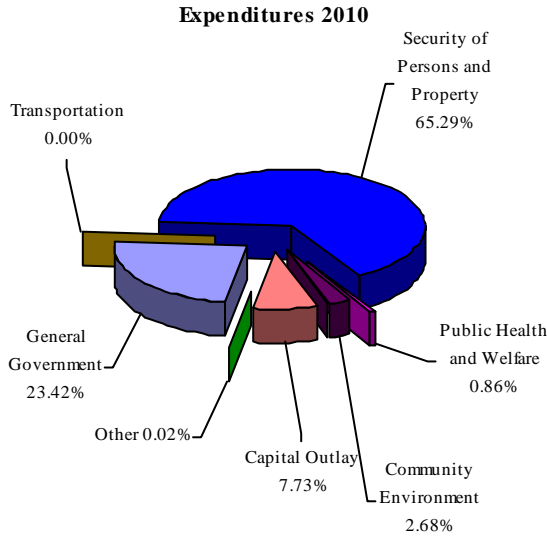


The table that follows assists in illustrating the expenditures of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General Government	\$ 806,865	\$ 813,572	(0.82) %
Security of Persons and Property	2,249,687	2,099,808	7.14 %
Public Health and Welfare	29,609	30,099	(1.63) %
Community Environment	92,522	86,958	6.40 %
Transportation	-	265	(100.00) %
Other	759	8,285	(90.84) %
Capital Outlay	<u>266,470</u>	<u>105,979</u>	151.44 %
Total	<u>\$ 3,445,912</u>	<u>\$ 3,144,966</u>	9.57 %

The City increased total expenditures by 9.57%. General government and public health and welfare had the only decreases. In 2010 the City purchased a new “private cloud” computer system which would fall under the capital outlay category. Capital outlay is a category that can fluctuate significantly depending on what is being replaced or purchased.

**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**



Budgeting Highlights

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

Budgetary information is presented for the general fund and the street construction maintenance and repair fund. In the general fund, the actual revenues and other financing sources came in \$105,084 higher than they were in the final budget and actual expenditures and other financing uses were \$391,473 less than the amount in the final budget. Budgeted expenditures were increased \$184,816 from the original to the final budget. Budgeted revenues were the same from the original to the final budget.

Street Construction Maintenance and Repair Fund

The street construction maintenance and repair fund had revenues and other financing sources of \$959,309 in 2010. The expenditures of the street construction maintenance and repair fund, totaled \$786,343 in 2010. The net increase in fund balance for the street construction maintenance and repair fund was \$172,966 or 19.14%.

**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. All of the City's enterprise funds are considered major funds. The Water fund had operating revenues of \$1,214,378 and operating expenses of \$1,352,695 for 2010. The Water fund net assets increased \$34,475 in 2010. The Sewer fund had operating revenues of \$1,460,239 and operating expenses of \$1,181,846 for 2010. The Sewer fund net assets increased \$312,021 in 2010. The Storm fund had operating revenues of \$171,888 and operating expenses of \$178,980 for 2010. The Storm fund net assets increased \$773,989 in 2010.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the City had \$28,343,629 (net of accumulated depreciation) invested in land, buildings, land improvements, equipment, vehicles, infrastructure, and construction in progress (CIP). Of this total, \$13,423,218 was reported in governmental activities and \$14,920,411 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows fiscal 2010 balances compared to 2009:

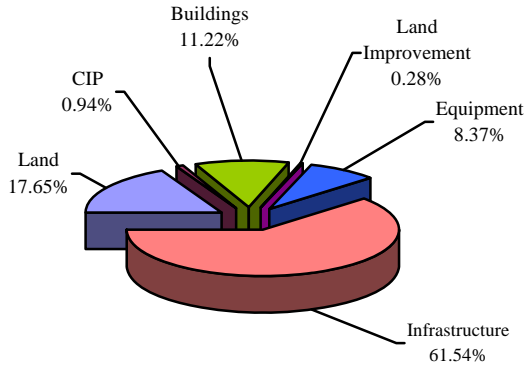
**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 2,130,272	\$ 2,130,272	\$ 21,297	\$ 9,140	\$ 2,151,569	\$ 2,139,412
Construction in progress	365,525	11,104	895,664	464,041	1,261,189	475,145
Buildings	1,506,114	1,558,207	916,563	947,540	2,422,677	2,505,747
Land improvements	37,885	33,293	-	-	37,885	33,293
Equipment	1,123,397	1,086,470	100,817	102,699	1,224,214	1,189,169
Infrastructure	<u>8,260,025</u>	<u>8,104,573</u>	<u>12,986,070</u>	<u>12,633,257</u>	<u>21,246,095</u>	<u>20,737,830</u>
Totals	<u>\$ 13,423,218</u>	<u>\$ 12,923,919</u>	<u>\$ 14,920,411</u>	<u>\$ 14,156,677</u>	<u>\$ 28,343,629</u>	<u>\$ 27,080,596</u>

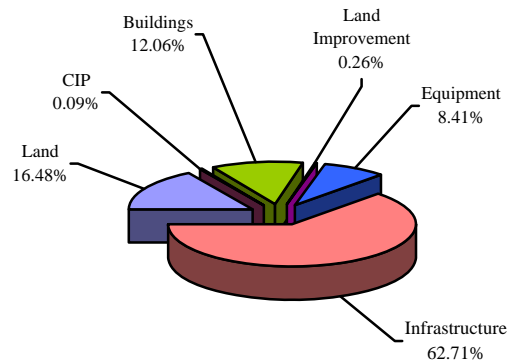
**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

The following graphs show the breakdown of governmental capital assets by category for 2010 and 2009.

**Capital Assets - Governmental Activities
2010**



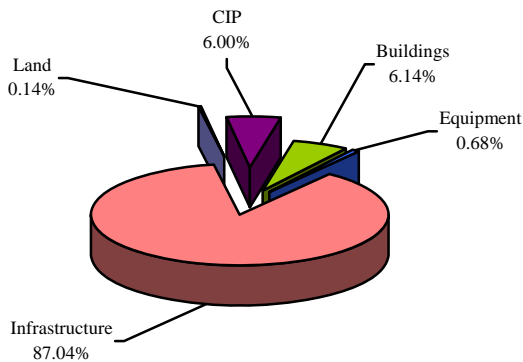
**Capital Assets - Governmental Activities
2009**



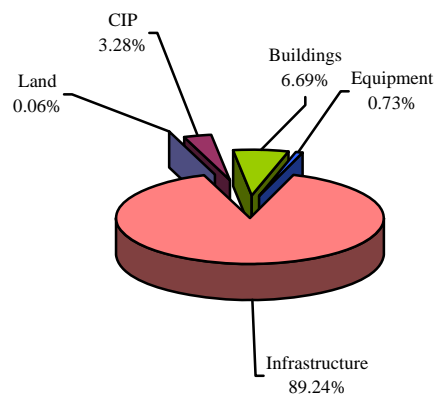
The City's infrastructure is the largest governmental activities capital asset category, which includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 61.54% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2010 and 2009.

Capital Assets - Business-Type Activities 2010



Capital Assets - Business-Type Activities 2009



The City's largest business-type capital asset category is infrastructure, which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 87.04% of the City's total business-type capital assets.

**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

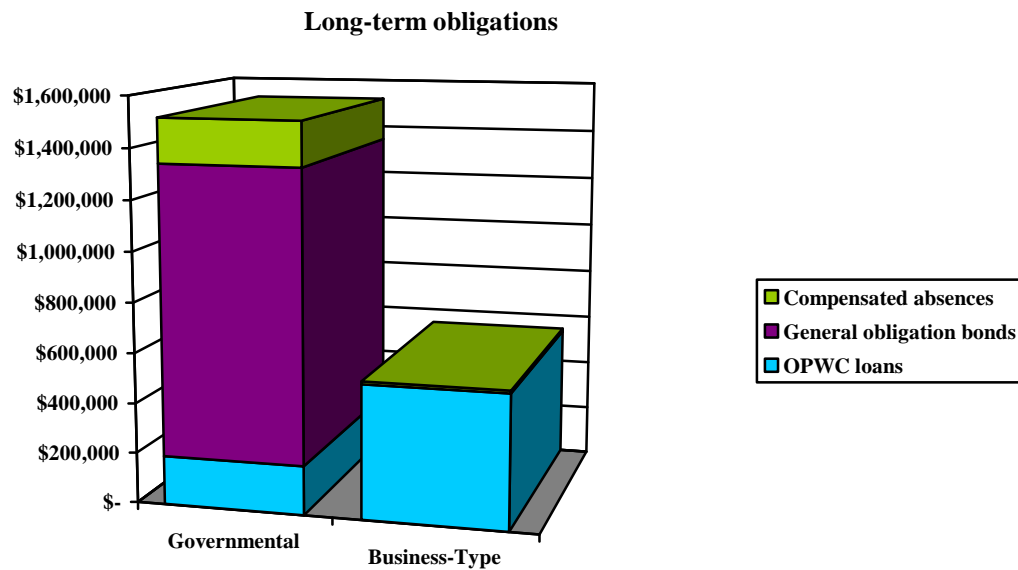
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2010 and 2009:

Governmental Activities		
	<u>2010</u>	<u>2009</u>
OPWC loans	\$ 169,190	\$ 194,109
General obligation bonds	1,150,000	1,150,000
Compensated absences	<u>162,610</u>	<u>175,441</u>
Total long-term obligations	<u>\$ 1,481,800</u>	<u>\$ 1,519,550</u>

Business-type Activities		
	<u>2010</u>	<u>2009</u>
Revenue bonds		
OPWC loans	\$ 490,129	\$ 531,295
Compensated absences	<u>13,803</u>	<u>11,305</u>
Total long-term obligations	<u>\$ 503,932</u>	<u>\$ 542,600</u>

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



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

**CITY OF CANFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Economic Conditions and Outlook

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

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

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

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

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

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

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

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

Contacting the City's Financial Management

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

CITY OF CANFIELD

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2010**

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 2,974,441	\$ 3,561,760	\$ 6,536,201
Investments	288,508	2,854	291,362
Receivables (Net of Allowance for Uncollectibles)			
Income Taxes	590,979	-	590,979
Real and Other Taxes	572,327	-	572,327
Accounts	110,333	624,614	734,947
Special Assessments	60,144	-	60,144
Due From Other Governments	484,194	206,773	690,967
Internal Balances	433,320	(433,320)	-
Prepayments	106,956	21,081	128,037
Capital Assets			
Land and Construction in Progress	2,495,797	916,961	3,412,758
Depreciable Capital Assets, net	10,927,421	14,003,450	24,930,871
Total Capital Assets	<u>13,423,218</u>	<u>14,920,411</u>	<u>28,343,629</u>
Total Assets	<u>19,044,420</u>	<u>18,904,173</u>	<u>37,948,593</u>
Liabilities:			
Accounts Payable	103,906	43,190	147,096
Accrued Wages and Benefits	85,597	10,245	95,842
Due to Other Governments	158,541	112,325	270,866
Unearned Revenue	478,814	-	478,814
Accrued Interest Payable	157	-	157
Long-term Liabilities:			
Due Within One Year	1,293,389	54,969	1,348,358
Due in More Than One Year	188,411	448,963	637,374
Total Liabilities	<u>2,308,815</u>	<u>669,692</u>	<u>2,978,507</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	12,104,028	14,430,282	26,534,310
Restricted for:			
Capital Projects	21,643	-	21,643
Debt Service	247,245	-	247,245
Security of Persons & Property	82,962	-	82,962
Public Health	21,318	-	21,318
Transportation	1,347,271	-	1,347,271
Leisuretime Activities	184,789	-	184,789
Other Purposes	91,593	-	91,593
Perpetual Care			
Expendable	140,979	-	140,979
Non-Expendable	87,400	-	87,400
Unrestricted	<u>2,406,377</u>	<u>3,804,199</u>	<u>6,210,576</u>
Total Net Assets	<u>\$ 16,735,605</u>	<u>\$ 18,234,481</u>	<u>\$ 34,970,086</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ (910,332)	\$ 266,015	\$ 31,905	\$ 4,375	\$ (608,037)	\$ -	\$ (608,037)
Security of Persons and Property	(2,460,922)	121,461	165,409	72,789	(2,101,263)	-	(2,101,263)
Public Health and Welfare	(60,019)	16,900	883	-	(42,236)	-	(42,236)
Leisure Time Activities	(108,770)	15,285	2,392	-	(91,093)	-	(91,093)
Community Environment	(94,611)	12,053	-	-	(82,558)	-	(82,558)
Transportation	(1,025,216)	-	460,373	642,320	77,477	-	77,477
Other	(759)	-	-	-	(759)	-	(759)
Interest and Fiscal Charges	(54,923)	-	-	-	(54,923)	-	(54,923)
Total Governmental Activities	<u>(4,715,552)</u>	<u>431,714</u>	<u>660,962</u>	<u>719,484</u>	<u>(2,903,392)</u>	<u>-</u>	<u>(2,903,392)</u>
Business-type Activities:							
Water	(1,352,695)	1,213,566	-	172,820	-	33,691	33,691
Sewer	(1,181,846)	1,460,145	-	196,628	-	474,927	474,927
Storm	(178,980)	171,861	-	618,081	-	610,962	610,962
Total Business-type Activities	<u>(2,713,521)</u>	<u>2,845,572</u>	<u>-</u>	<u>987,529</u>	<u>-</u>	<u>1,119,580</u>	<u>1,119,580</u>
Total Primary Government	<u>\$ (7,429,073)</u>	<u>\$ 3,277,286</u>	<u>\$ 660,962</u>	<u>\$ 1,707,013</u>	<u>(2,903,392)</u>	<u>1,119,580</u>	<u>(1,783,812)</u>
General Revenues:							
Property Taxes Levied for:							
Street Construction, Maintenance and Repair					444,021	-	444,021
Debt Retirement					120,438	-	120,438
Income Taxes Levied for:							
General Purposes					2,349,758	-	2,349,758
Grants and Entitlements Not Restricted to Specific Programs					677,528	-	677,528
Decrease in Fair Value of Investments					(7,256)	(28)	(7,284)
Investment Earnings					26,085	-	26,085
Miscellaneous					27,137	933	28,070
Total General Revenues					<u>3,637,711</u>	<u>905</u>	<u>3,638,616</u>
Change in Net Assets					734,319	1,120,485	1,854,804
Net Assets at Beginning of Year					<u>16,001,286</u>	<u>17,113,996</u>	<u>33,115,282</u>
Net Assets at End of Year					<u>\$ 16,735,605</u>	<u>\$ 18,234,481</u>	<u>\$ 34,970,086</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2010**

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,044,085	\$ 1,040,894	\$ 889,462	\$ 2,974,441
Investments	288,508	-	-	288,508
Receivables (Net of Allowance for Uncollectibles)				
Income Taxes	590,979	-	-	590,979
Real and Other Taxes	-	438,820	133,507	572,327
Accounts	94,020	245	16,068	110,333
Interfund Loans	438,320	-	-	438,320
Special Assessments	3,850	-	56,294	60,144
Due From Other Governments	238,895	221,015	24,284	484,194
Prepayments	95,484	9,393	2,079	106,956
Total Assets	<u>\$ 2,794,141</u>	<u>\$ 1,710,367</u>	<u>\$ 1,121,694</u>	<u>\$ 5,626,202</u>
Liabilities:				
Accounts Payable	\$ 31,151	\$ 72,510	\$ 245	\$ 103,906
Accrued Wages and Benefits	76,256	8,692	649	85,597
Interfund Loan Payable	-	-	5,000	5,000
Due to Other Governments	144,677	12,414	1,450	158,541
Deferred Revenue	515,337	540,322	211,645	1,267,304
Total Liabilities	<u>767,421</u>	<u>633,938</u>	<u>218,989</u>	<u>1,620,348</u>
Fund Balances:				
Reserved for Encumbrances	55,263	53,739	-	109,002
Reserved for Prepayments	95,484	9,393	2,078	106,955
Reserved for Unclaimed Monies	2,259	-	-	2,259
Reserved for Perpetual Care	-	-	100,000	100,000
Designated for Parks and Village Green	-	-	87,400	87,400
Unreserved, Undesignated, Reported In:				
General Fund	1,873,714	-	-	1,873,714
Special Revenue Funds	-	1,013,297	323,250	1,336,547
Debt Service Funds	-	-	227,629	227,629
Capital Projects Funds	-	-	21,643	21,643
Permanent Funds	-	-	140,705	140,705
Total Fund Balances:	<u>2,026,720</u>	<u>1,076,429</u>	<u>902,705</u>	<u>4,005,854</u>
Total Liabilities and Fund Balances	<u>\$ 2,794,141</u>	<u>\$ 1,710,367</u>	<u>\$ 1,121,694</u>	<u>\$ 5,626,202</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Total Governmental Fund Balances \$ 4,005,854

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 13,423,218

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

Income Taxes	\$	317,999
Real and Other Taxes		45,513
Charges for Services		3,850
Special Assessments		56,295
Intergovernmental		361,873
Other		<u>2,960</u>

Total 788,490

In the statement of activities interest is accrued on outstanding bonds, notes and loans payable, whereas in governmental funds, interest expenditures are reported when due. (157)

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

Compensated Absences Payable		(162,610)
General Obligation Bonds Payable		(1,150,000)
OPWC Loans Payable		<u>(169,190)</u>

Total (1,481,800)

Net Assets of Governmental Activities **\$ 16,735,605**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income Taxes	\$ 2,308,433	\$ -	\$ -	\$ 2,308,433
Real and Other Taxes	-	440,796	119,547	560,343
Other Local Taxes	-	61,639	-	61,639
Special Assessments	3,477	-	30,879	34,356
Charges for Services	243,066	-	32,184	275,250
Licenses and Permits	61,917	-	-	61,917
Fines and Forfeitures	62,644	-	-	62,644
Intergovernmental	678,062	446,913	124,245	1,249,220
Investment Income	26,085	4,279	2,582	32,946
Decrease in FV of Investments	(7,256)	-	-	(7,256)
Other	31,614	5,682	34,145	71,441
Total Revenues	<u>3,408,042</u>	<u>959,309</u>	<u>343,582</u>	<u>4,710,933</u>
Expenditures:				
Current:				
General Government	806,865	-	15,018	821,883
Security of Persons and Property	2,249,687	-	28,418	2,278,105
Public Health and Welfare	29,609	-	24,865	54,474
Leisure Time Activities	-	-	84,123	84,123
Community Environment	92,522	-	-	92,522
Transportation	-	692,139	32,632	724,771
Other	759	-	-	759
Capital Outlay	266,470	94,204	93,166	453,840
Debt Service:				
Principal Retirement	-	-	24,919	24,919
Interest & Fiscal Charges	-	-	59,415	59,415
Total Expenditures	<u>3,445,912</u>	<u>786,343</u>	<u>362,556</u>	<u>4,594,811</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(37,870)</u>	<u>172,966</u>	<u>(18,974)</u>	<u>116,122</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1	-	-	1
Transfers in	-	-	125,875	125,875
Transfers out	(125,875)	-	-	(125,875)
Total Other Financing Sources (Uses)	<u>(125,874)</u>	<u>-</u>	<u>125,875</u>	<u>1</u>
Net Change in Fund Balance	<u>(163,744)</u>	<u>172,966</u>	<u>106,901</u>	<u>116,123</u>
Fund Balances at the Beginning of the Year	<u>2,190,464</u>	<u>903,463</u>	<u>795,804</u>	<u>3,889,731</u>
Fund Balances at End of the Year	<u>\$ 2,026,720</u>	<u>\$ 1,076,429</u>	<u>\$ 902,705</u>	<u>\$ 4,005,854</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net Change in Fund Balances - Total Governmental Funds **\$ 116,123**

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

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

Capital Asset Additions	\$ 453,840	
Contributed Capital	662,287	
Current Year Depreciation	<u>(616,828)</u>	
Total		499,299

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

Income Taxes	41,325	
Real and Other Taxes	4,116	
Charges for Services	(3,031)	
Special Assessments	580	
Intergovernmental Revenues	35,251	
Other	<u>(1,586)</u>	
Total		76,655

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 24,919

In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. 4,492

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 12,831

Change in Net Assets of Governmental Activities **\$ 734,319**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD

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

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income Taxes	\$ 2,345,100	\$ 2,345,100	\$ 2,292,551	\$ (52,549)
Special Assessments	500	500	3,478	2,978
Charges for Services	211,118	211,118	239,636	28,518
Licenses and Permits	57,715	57,715	65,341	7,626
Fines and Forfeitures	41,510	41,510	57,255	15,745
Intergovernmental	279,375	279,375	679,841	400,466
Investment Income	42,012	42,012	26,086	(15,926)
Other	13,334	13,334	29,619	16,285
Total Revenues	<u>2,990,664</u>	<u>2,990,664</u>	<u>3,393,807</u>	<u>403,143</u>
Expenditures:				
Current:				
General Government	980,363	1,025,608	895,209	130,399
Security of Persons and Property	2,629,346	2,628,206	2,437,475	190,731
Public Health and Welfare	60,200	60,200	59,108	1,092
Community Environment	119,330	120,690	98,523	22,167
Basic Utility Services	3,000	3,000	-	3,000
Other	63,809	63,809	37,420	26,389
Capital Outlay	148,309	290,919	273,224	17,695
Total Expenditures	<u>4,004,357</u>	<u>4,192,432</u>	<u>3,800,959</u>	<u>391,473</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,013,693)</u>	<u>(1,201,768)</u>	<u>(407,152)</u>	<u>794,616</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	298,060	298,060	1	(298,059)
Advances In	-	838,000	838,000	-
Advances Out	-	(438,320)	(438,320)	-
Transfers Out	(129,134)	(125,875)	(125,875)	-
Total Other Financing Sources (Uses)	<u>168,926</u>	<u>571,865</u>	<u>273,806</u>	<u>(298,059)</u>
Net Change in Fund Balance	(844,767)	(629,903)	(133,346)	496,557
Fund Balance at Beginning of Year	557,973	557,973	557,973	-
Prior Year Encumbrances Appropriated	313,029	313,029	313,029	-
Fund Balance at End of Year	\$ 26,235	\$ 241,099	\$ 737,656	\$ 496,557

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real and Other Taxes	\$ 400,790	\$ 400,790	\$ 392,796	\$ (7,994)
Other Local Taxes	61,000	61,000	62,118	1,118
Intergovernmental	457,130	457,130	447,998	(9,132)
Investment Income	4,503	4,503	4,278	(225)
Other	-	-	5,437	5,437
Total Revenues	<u>923,423</u>	<u>923,423</u>	<u>912,627</u>	<u>(10,796)</u>
Expenditures:				
Current:				
Transportation	1,004,117	1,015,417	740,266	275,151
Capital Outlay	128,767	143,987	139,505	4,482
Total Expenditures	<u>1,132,884</u>	<u>1,159,404</u>	<u>879,771</u>	<u>279,633</u>
Excess of Expenditures Over Revenues	<u>(209,461)</u>	<u>(235,981)</u>	32,856	268,837
Net Change in Fund Balance	(209,461)	(235,981)	32,856	268,837
Fund Balance at Beginning of Year	656,684	656,684	656,684	-
Prior Year Encumbrances Appropriated	<u>204,370</u>	<u>204,370</u>	<u>204,370</u>	-
Fund Balance at End of Year	<u>\$ 651,593</u>	<u>\$ 625,073</u>	<u>\$ 893,910</u>	<u>\$ 268,837</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 AS OF DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm	Total
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,658,084	\$ 1,381,555	\$ 522,121	\$ 3,561,760
Investments	2,854	-	-	2,854
Receivables (Net of Allowance for Uncollectibles)				
Accounts	259,692	325,509	39,413	624,614
Due From Other Governments	-	-	206,773	206,773
Prepayments	15,258	4,524	1,299	21,081
Total Current Assets	<u>1,935,888</u>	<u>1,711,588</u>	<u>769,606</u>	<u>4,417,082</u>
Noncurrent Assets:				
Capital Assets				
Land and Construction in Progress	54,138	11,157	851,666	916,961
Depreciable Capital Assets, Net	5,131,428	3,921,524	4,950,498	14,003,450
Total Capital Assets	<u>5,185,566</u>	<u>3,932,681</u>	<u>5,802,164</u>	<u>14,920,411</u>
Total Noncurrent Assets	<u>5,185,566</u>	<u>3,932,681</u>	<u>5,802,164</u>	<u>14,920,411</u>
Total Assets	<u>7,121,454</u>	<u>5,644,269</u>	<u>6,571,770</u>	<u>19,337,493</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	3,432	2,035	37,723	43,190
Accrued Wages and Benefits	4,893	4,277	1,075	10,245
Due to Other Governments	68,542	42,405	1,378	112,325
Interfund Loans Payable	-	-	433,320	433,320
Compensated Absences	6,197	5,660	1,946	13,803
Current Portion of OPWC Loans	-	41,166	-	41,166
Total Current Liabilities	<u>83,064</u>	<u>95,543</u>	<u>475,442</u>	<u>654,049</u>
Long-term Liabilities:				
OPWC Loans	-	448,963	-	448,963
Total Long-term Liabilities	<u>-</u>	<u>448,963</u>	<u>-</u>	<u>448,963</u>
Total Liabilities	<u>83,064</u>	<u>544,506</u>	<u>475,442</u>	<u>1,103,012</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	5,185,566	3,442,552	5,802,164	14,430,282
Unrestricted	1,852,824	1,657,211	294,164	3,804,199
Total Net Assets	<u>\$ 7,038,390</u>	<u>\$ 5,099,763</u>	<u>\$ 6,096,328</u>	<u>\$ 18,234,481</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm	Total
Operating Revenues				
Charges for Services	\$ 1,213,566	\$ 1,460,145	\$ 171,861	\$ 2,845,572
Other	812	94	27	933
Total Operating Revenues	1,214,378	1,460,239	171,888	2,846,505
Operating Expenses:				
Personal Services	137,852	131,830	31,263	300,945
Contractual Services	916,791	852,892	6,607	1,776,290
Supplies and Materials	26,045	5,096	3,583	34,724
Other	56,486	57,000	10,000	123,486
Depreciation	215,521	135,028	127,527	478,076
Total Operating Expenses	1,352,695	1,181,846	178,980	2,713,521
Operating Income (Loss)	(138,317)	278,393	(7,092)	132,984
Nonoperating Revenues (Expenses):				
Decrease in FV of Investments	(28)	-	-	(28)
Intergovernmental Revenue	-	-	243,553	243,553
Transfers In	-	-	163,000	163,000
Transfers Out	-	(163,000)	-	(163,000)
Total Nonoperating Revenues (Expenses)	(28)	(163,000)	406,553	243,525
Income (Loss) Before Capital Contributions	(138,345)	115,393	399,461	376,509
Capital Contributions	172,820	196,628	374,528	743,976
Changes in Net Assets	34,475	312,021	773,989	1,120,485
Net Assets at Beginning of Year	7,003,915	4,787,742	5,322,339	17,113,996
Net Assets at End of Year	\$ 7,038,390	\$ 5,099,763	\$ 6,096,328	\$ 18,234,481

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 1,211,165	\$ 1,456,125	\$ 169,182	\$ 2,836,472
Cash Received from Other Operations	735	-	-	735
Cash Payments for Personal Services	(133,518)	(129,621)	(30,752)	(293,891)
Cash Payments for Contractual Services	(854,705)	(815,535)	(6,732)	(1,676,972)
Cash Payments for Supplies and Materials	(25,973)	(5,096)	(3,583)	(34,652)
Cash Payments for Other Expenses	(56,761)	(57,000)	(10,000)	(123,761)
Net Cash Provided by Operating Activities	140,943	448,873	118,115	707,931
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(86,590)	(15,235)	(357,705)	(459,530)
Intergovernmental	-	-	506,451	506,451
Principal Retirement	-	(41,166)	-	(41,166)
Advances in	-	-	433,320	433,320
Advances Out	-	-	(781,000)	(781,000)
Transfers In	-	-	278,335	278,335
Transfers Out	-	(163,000)	(115,335)	(278,335)
Net Cash Used in Capital and Related Financing Activities	(86,590)	(219,401)	(35,934)	(341,925)
Net Increase in Cash and Cash Equivalents	54,353	229,472	82,181	366,006
Cash and Cash Equivalents at Beginning of Year	1,603,731	1,152,083	439,940	3,195,754
Cash and Cash Equivalents at End of Year	\$ 1,658,084	\$ 1,381,555	\$ 522,121	\$ 3,561,760
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (138,317)	\$ 278,393	\$ (7,092)	\$ 132,984
Adjustments:				
Depreciation	215,521	135,028	127,527	478,076
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	(2,480)	(4,114)	(2,704)	(9,298)
(Increase)/Decrease in Prepayments	(1,115)	7	(128)	(1,236)
Increase/(Decrease) in Accrued Wages and Benefits	1,036	274	20	1,330
Increase/(Decrease) in Due to Other Governments	64,928	38,416	303	103,647
Increase/(Decrease) in Compensated Absences Payable	1,567	746	185	2,498
Increase/(Decrease) in Accounts Payable	(197)	123	4	(70)
Net Cash Provided by Operating Activities	\$ 140,943	\$ 448,873	\$ 118,115	\$ 707,931
Noncash Investing, Capital, and Financing Activities:				
Capital Assets Purchased on Account	(1,080)	-	(37,223)	(38,303)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 27,855	\$ 45,627
Total Current Assets	<u>27,855</u>	<u>45,627</u>
 Total Assets	 <u>27,855</u>	 <u>45,627</u>
 Liabilities:		
Current Liabilities:		
Deposits Held and Due to Others	-	45,627
Total Current Liabilities	<u>-</u>	<u>45,627</u>
 Total Liabilities	 <u>-</u>	 <u>45,627</u>
 Net Assets:		
Held in Trust for Other Purposes	<u>27,855</u>	<u>-</u>
 Total Net Assets	 <u><u>\$ 27,855</u></u>	 <u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD

STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 - DESCRIPTION OF THE CITY

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

B. Basis of Presentation - Fund Accounting

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

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

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

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

C. Fund Accounting

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

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

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

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

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

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

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

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

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

Private Purpose Trust Funds

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

E. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

F. Budgetary Data

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

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

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

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

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

G. Encumbrances

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

H. Cash and Cash Equivalents

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

During 2010, investments were limited to a repurchase agreement, investments in State Treasury Asset Reserve of Ohio (STAR Ohio), and common stock. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2010.

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

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2010 amounted to \$26,085, which included \$20,156 assigned from other funds of the City.

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

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

I. Capital Assets

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

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

J. Compensated Absences

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

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

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

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. The City had no other interfund loans outstanding at December 31, 2010.

M. Interfund Activity

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

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

N. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

O. Fund Balance Reserves and Designations

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

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

P. Estimates

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

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. There were no capital contributions from governmental funds during 2010.

R. Net Assets

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

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

S. Operating Revenues and Expenses

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation GASB Statement No. 51 did not have an effect on the financial statements of the City.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

A. Deposits with Financial Institutions

At December 31, 2010, the carrying amount of all City deposits was \$(244,568), exclusive of the \$7,145,613 in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of City’s bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as “investments”. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2010, the City’s entire bank balance of \$51,895 was covered by FDIC.

B. Investments

As of December 31, 2010 the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Anthem Stock	\$ 288,508	\$ -
Wheeling Pittsburgh Stock	2,854	-
Repurchase Agreements	6,852,325	6,852,325
STAR Ohio	<u>1,926</u>	<u>1,926</u>
Total	<u>\$ 7,145,613</u>	<u>\$ 6,854,251</u>

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City’s \$6,852,325 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment’s counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Anthem Stock	\$ 288,508	4.04%
Wheeling Pittsburgh Stock	2,854	0.04%
Repurchase Agreements	6,852,325	95.90%
STAR Ohio	<u>1,926</u>	<u>0.03%</u>
Total	<u>\$ 7,145,613</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2010:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ (244,568)
Investments	<u>7,145,613</u>
Total	<u>\$ 6,901,045</u>
<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,262,949
Business type activities	3,564,614
Private purpose trust funds	27,855
Agency funds	<u>45,627</u>
Total	<u>\$ 6,901,045</u>

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 5 - INTERFUNDS

- A. Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental Funds from the General Fund	\$ 125,875
Transfer to a Storm Enterprise Issue 2 Fund from the Sewer Operating Fund	<u>163,000</u>
Total Transfers	<u><u>\$ 288,875</u></u>

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

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

- B. Interfund loans consisted of the following at December 31, 2010, as reported on the fund financial statements.

Receivable Fund	Payable Fund	Amount
General	Storm Water Enterprise Fund	\$ 433,320
General	Muni Complex Renovation Debt Fund	<u>\$ 5,000</u>
		<u><u>\$ 438,320</u></u>

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

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 6 - PROPERTY TAXES – (Continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Canfield. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2010 was \$3.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 171,747,730
Commercial/Industrial/Mineral	26,827,940
<u>Public Utility</u>	
Real	2,834,980
Personal	86,795
Total Assessed Value	<u>\$ 201,497,445</u>

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 7 - LOCAL INCOME TAX

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

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

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

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

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

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

Income tax proceeds are received by the general fund.

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 8 - RECEIVABLES

Receivables at December 31, 2010, consisted of taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2010.

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

Governmental Activities:

Income taxes	\$ 590,979
Real and other taxes	572,327
Special assessments	60,144
Accounts	110,333
Due from other governments	484,194

Business-type Activities:

Accounts	624,614
Due from other governments	206,773

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2010, was as follows:

<u>Governmental Activities:</u>	Balance 01/01/2010	Additions	Disposals	Balance 12/31/2010
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,130,272	\$ -	\$ -	\$ 2,130,272
Construction in progress	11,104	354,421	-	365,525
Total capital assets, not being depreciated	<u>2,141,376</u>	<u>354,421</u>	<u>-</u>	<u>2,495,797</u>
<i>Capital assets, being depreciated:</i>				
Buildings	3,315,934	8,125	-	3,324,059
Land improvements	64,426	7,213	-	71,639
Equipment	3,233,459	341,885	(85,057)	3,490,287
Infrastructure	13,943,248	404,483	-	14,347,731
Total capital assets, being depreciated	<u>20,557,067</u>	<u>761,706</u>	<u>(85,057)</u>	<u>21,233,716</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(1,757,727)	(60,218)	-	(1,817,945)
Land improvements	(31,133)	(2,621)	-	(33,754)
Equipment	(2,146,989)	(304,958)	85,057	(2,366,890)
Infrastructure	(5,838,675)	(249,031)	-	(6,087,706)
Total accumulated depreciation	<u>(9,774,524)</u>	<u>(616,828)</u>	<u>85,057</u>	<u>(10,306,295)</u>
Total capital assets, being depreciated, net	<u>10,782,543</u>	<u>144,878</u>	<u>-</u>	<u>10,927,421</u>
Governmental activities capital assets, net	<u>\$ 12,923,919</u>	<u>\$ 499,299</u>	<u>\$ -</u>	<u>\$ 13,423,218</u>

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General Government	\$ 90,739
Security of Persons and Property	194,167
Public Health and Welfare	5,468
Leisure Time Activities	24,644
Community Environment	1,813
Transportation	<u>299,997</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 616,828</u>

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 - CAPITAL ASSETS - (Continued)

Capital asset activity for business-type activities for the year ended December 31, 2010, was as follows:

<u>Business-type Activities:</u>	Balance 1/1/2010	Additions	Disposals	Balance 12/31/2010
<i>Capital assets, not being depreciated:</i>				
Land	\$ 9,140	\$ 12,157	\$ -	\$ 21,297
Construction in progress	464,041	431,900	(277)	895,664
Total capital assets, not being depreciated	<u>473,181</u>	<u>444,057</u>	<u>(277)</u>	<u>916,961</u>
<i>Capital assets, being depreciated:</i>				
Buildings	1,547,674	-	-	1,547,674
Equipment	429,663	32,124	-	461,787
Infrastructure	20,755,755	765,905	-	21,521,660
Total capital assets, being depreciated	<u>22,733,092</u>	<u>798,029</u>	<u>-</u>	<u>23,531,121</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(600,133)	(30,978)	-	(631,111)
Equipment	(326,964)	(34,006)	-	(360,970)
Infrastructure	(8,122,498)	(413,092)	-	(8,535,590)
Total accumulated depreciation	<u>(9,049,595)</u>	<u>(478,076)</u>	<u>-</u>	<u>(9,527,671)</u>
Total capital assets, being depreciated, net	<u>13,683,497</u>	<u>319,953</u>	<u>-</u>	<u>14,003,450</u>
Business-type activities capital assets, net	<u>\$ 14,156,678</u>	<u>\$ 764,010</u>	<u>\$ (277)</u>	<u>\$ 14,920,411</u>

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 - CAPITAL ASSETS - (Continued)

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

Business-type activities:

Water	\$ 215,521
Sewer	135,028
Storm	<u>127,527</u>
Total depreciation expense - business-type activities	<u>\$ 478,076</u>

NOTE 10 - VACATION AND SICK LEAVE LIABILITY

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time up to a maximum of 200 hours is paid upon termination of employment. Employees earn sick leave at a rate of ten (10) hours per month. Sick leave accrual is continuous, up to 2,000 hours. Upon retirement or death, an employee with 10 years of continuous service can be paid an amount equal to one-fourth (1/4) the total number of accumulated, unused sick hours, not to exceed the maximum of 480 hours. As of December 31, 2010, the liability for unpaid compensated absences was \$176,413 for the entire City.

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 11 - LONG-TERM OBLIGATIONS

A. During 2010, the following activity occurred in governmental activities long-term obligations:

Governmental Activities:	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Balance 01/01/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2010</u>	<u>Amounts Due in One Year</u>
<u>OPWC Loans:</u>							
Brookpark Storm Water Imp.	1994	0.00%	12,277	-	(2,728)	9,549	2,728
Hillside Storm Water Imp	1994	0.00%	31,489	-	(7,873)	23,616	7,873
Court St. Area Storm Water Imp.	2000	0.00%	150,343	-	(14,318)	136,025	14,318
Total OPWC Loans			194,109	-	(24,919)	169,190	24,919
<u>General Obligation Bonds:</u>							
Red Gate Land Acquisition	2006	4.92%	1,150,000	-	-	1,150,000	1,150,000
Total G.O. Bonds			1,150,000	-	-	1,150,000	1,150,000
<u>Other Long-Term Obligations:</u>							
Compensated Absences			175,441	146,492	(159,323)	162,610	118,470
Total governmental activities long-term obligations			<u>\$ 1,519,550</u>	<u>\$ 146,492</u>	<u>\$ (184,242)</u>	<u>\$ 1,481,800</u>	<u>\$ 1,293,389</u>

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

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

<u>Year Ending December 31,</u>	<u>OPWC Loans</u>			<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 24,919	\$ -	\$ 24,919	\$ 1,150,000	\$ 28,604	\$ 1,178,604
2012	24,919	-	24,919	-	-	-
2013	24,919	-	24,919	-	-	-
2014	15,682	-	15,682	-	-	-
2015	14,318	-	14,318	-	-	-
2016 - 2020	64,433	-	64,433	-	-	-
	<u>\$ 169,190</u>	<u>\$ -</u>	<u>\$ 169,190</u>	<u>\$ 1,150,000</u>	<u>\$ 28,604</u>	<u>\$ 1,178,604</u>

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. During the fiscal year 2010, the following activity occurred in the City's business-type long-term liabilities:

Business-Type Activities	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Balance 1/1/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2010</u>	<u>Amounts Due in One Year</u>
<u>OPWC Loans:</u>							
Sawmill Sanitary Main Replacement	2002	0.00%	\$ 207,132	\$ -	\$ (18,010)	\$ 189,122	\$ 18,012
Sawmill Sanitary Main Lining	2003	0.00%	<u>324,163</u>	<u>-</u>	<u>(23,156)</u>	<u>301,007</u>	<u>23,154</u>
Total OPWC Loans			<u>\$ 531,295</u>	<u>\$ -</u>	<u>\$ (41,166)</u>	<u>\$ 490,129</u>	<u>\$ 41,166</u>
<u>Other Long-Term Obligations:</u>							
Compensated Absences			<u>\$ 11,305</u>	<u>\$ 13,777</u>	<u>\$ (11,279)</u>	<u>\$ 13,803</u>	<u>\$ 13,803</u>
Total business-type activities long-term obligations			<u>\$ 542,600</u>	<u>\$ 13,777</u>	<u>\$ (52,445)</u>	<u>\$ 503,932</u>	<u>\$ 54,969</u>

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

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

<u>Year Ending December 31,</u>	<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 41,166	\$ -	\$ 41,166
2012	41,166	-	41,166
2013	41,166	-	41,166
2014	41,166	-	41,166
2015	41,166	-	41,166
2016 - 2020	205,830	-	205,830
2021 - 2023	<u>78,469</u>	<u>-</u>	<u>78,469</u>
	<u>\$ 490,129</u>	<u>\$ -</u>	<u>\$ 490,129</u>

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2010, the City's total debt margin was \$20,234,861 and the unvoted debt margin was \$10,159,988.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2010, the City contracted with several companies for various types of insurance as follows:

City of Canfield Insurance Policies:

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

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 13 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$175,430, \$179,779, and \$171,412, respectively; 91.56% has been contributed for 2010 and 100% has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$910 made by the City and \$650 made by the plan members.

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 13 - PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% for police officers. Contribution rates are established by State statute. For 2010, the portion of the City's contributions to fund pension obligations was 12.75% for police officers. The City's required contributions to OP&F police officers for the years ended December 31, 2010, 2009, and 2008 were \$188,210, \$178,457 and \$179,948, respectively. The full amount has been contributed for 2009 and 2008. 78.26% has been contributed for 2010.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$63,412, \$75,347, and \$85,706, respectively; 91.56% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

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

B. Ohio Police and Fire Pension Fund

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

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

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

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers for the years ended December 31, 2010, 2009, and 2008 were \$65,150, \$61,746 and \$62,262, respectively. The full amount has been contributed for police officers for 2009 and 2008. 78.26% has been contributed for police officers for 2010.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

	Net Change in Fund Balance	
	<u>General</u>	<u>Street Construction Maintenance and Repair</u>
Budget basis	\$ (133,346)	\$ 32,856
Net adjustment for revenue accruals	14,236	46,682
Net adjustment for expenditure accruals	34,639	(53,556)
Net adjustment for other sources/uses	(399,680)	-
Adjustment for encumbrances	<u>320,407</u>	<u>146,984</u>
GAAP basis	<u>\$ (163,744)</u>	<u>\$ 172,966</u>

NOTE 16 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2010.

B. Litigation

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

CITY OF CANFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 17 - LAND LEASE AGREEMENTS

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

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

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

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**SUPPLEMENTARY
INFORMATION**

**CITY OF CANFIELD
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General Fund	Special Revenue Funds	Debt Service Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,044,085	\$ 1,448,329	\$ 232,629
Investments	288,508	-	-
Receivables (net of allowance for uncollectibles)			
Income Taxes	590,979	-	-
Real and other taxes	-	438,820	133,507
Accounts	94,020	15,689	-
Interfund Loans	438,320	-	-
Special Assessments	3,850	56,294	-
Due from other governments	238,895	236,075	9,224
Prepayments	95,484	11,472	-
Total Assets	\$ 2,794,141	\$ 2,206,679	\$ 375,360
Liabilities:			
Accounts Payable	\$ 31,151	\$ 72,755	\$ -
Accrued wages and benefits	76,256	9,341	-
Interfund Loan Payable	-	-	5,000
Due to other governments	144,677	13,864	-
Deferred revenue	515,337	608,962	142,731
Total Liabilities	767,421	704,922	147,731
Fund Balances (deficit):			
Reserved for Encumbrances	55,263	53,739	-
Reserved for Prepayments	95,484	11,471	-
Reserved for Unclaimed Monies	2,259	-	-
Designated for Parks and Village Green	-	100,000	-
Reserved for Perpetual Care	-	-	-
Unreserved, undesignated (deficit), reported in:			
General Fund	1,873,714	-	-
Special Revenue Funds	-	1,336,547	-
Debt Service Funds	-	-	227,629
Capital Projects Funds	-	-	-
Permanent Funds	-	-	-
Total fund balances (deficit):	2,026,720	1,501,757	227,629
Total liabilities and fund balances	\$ 2,794,141	\$ 2,206,679	\$ 375,360

Capital Projects Funds	Permanent Funds	Total Governmental Funds	Less: Major Funds		
			General Fund	Street Construction Maintenance & Repair Fund	Other Governmental Funds
\$ 21,643	\$ 227,755	\$ 2,974,441	\$ 1,044,085	\$ 1,040,894	\$ 889,462
-	-	288,508	288,508	-	-
-	-	590,979	590,979	-	-
-	-	572,327	-	438,820	133,507
-	624	110,333	94,020	245	16,068
-	-	438,320	438,320	-	-
-	-	60,144	3,850	-	56,294
-	-	484,194	238,895	221,015	24,284
-	-	106,956	95,484	9,393	2,079
<u>\$ 21,643</u>	<u>\$ 228,379</u>	<u>\$ 5,626,202</u>	<u>\$ 2,794,141</u>	<u>\$ 1,710,367</u>	<u>\$ 1,121,694</u>
\$ -	\$ -	\$ 103,906	\$ 31,151	\$ 72,510	\$ 245
-	-	85,597	76,256	8,692	649
-	-	5,000	-	-	5,000
-	-	158,541	144,677	12,414	1,450
-	274	1,267,304	515,337	540,322	211,645
<u>-</u>	<u>274</u>	<u>1,620,348</u>	<u>767,421</u>	<u>633,938</u>	<u>218,989</u>
-	-	109,002	55,263	53,739	-
-	-	106,955	95,484	9,393	2,078
-	-	2,259	2,259	-	-
-	-	100,000	-	-	100,000
-	87,400	87,400	-	-	87,400
-	-	1,873,714	1,873,714	-	-
-	-	1,336,547	-	1,013,297	323,250
-	-	227,629	-	-	227,629
21,643	-	21,643	-	-	21,643
-	140,705	140,705	-	-	140,705
<u>21,643</u>	<u>228,105</u>	<u>4,005,854</u>	<u>2,026,720</u>	<u>1,076,429</u>	<u>902,705</u>
<u>\$ 21,643</u>	<u>\$ 228,379</u>	<u>\$ 5,626,202</u>	<u>\$ 2,794,141</u>	<u>\$ 1,710,367</u>	<u>\$ 1,121,694</u>

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**CITY OF CANFIELD
COMBINING BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2010**

	<u>General</u>	<u>Self Insurance</u>	<u>Unclaimed Monies</u>	<u>General Fund Total</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 928,446	\$ 113,380	\$ 2,259	\$ 1,044,085
Investments	288,508	-	-	288,508
Receivables (net of allowance for uncollectibles)				
Income Taxes	590,979	-	-	590,979
Accounts	94,020	-	-	94,020
Interfund Loans	438,320	-	-	438,320
Special Assessments	3,850	-	-	3,850
Due from other governments	238,895	-	-	238,895
Prepayments	95,484	-	-	95,484
Total Assets	<u>\$ 2,678,502</u>	<u>\$ 113,380</u>	<u>\$ 2,259</u>	<u>\$ 2,794,141</u>
Liabilities:				
Accounts Payable	\$ 31,151	\$ -	\$ -	\$ 31,151
Accrued wages and benefits	76,256	-	-	76,256
Due to other governments	144,677	-	-	144,677
Deferred revenue	515,337	-	-	515,337
Total Liabilities	<u>767,421</u>	<u>-</u>	<u>-</u>	<u>767,421</u>
Fund Balances (deficit):				
Reserved for Encumbrances	50,552	4,711	-	55,263
Reserved for Prepayments	95,484	-	-	95,484
Reserved for Unclaimed Monies	-	-	2,259	2,259
Unreserved, undesignated (deficit), reported in:				
General Fund	1,765,045	108,669	-	1,873,714
Total fund balances (deficit):	<u>1,911,081</u>	<u>113,380</u>	<u>2,259</u>	<u>2,026,720</u>
Total liabilities and fund balances	<u>\$ 2,678,502</u>	<u>\$ 113,380</u>	<u>\$ 2,259</u>	<u>\$ 2,794,141</u>

**CITY OF CANFIELD
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2010**

	Parks	Parks & Village Green Trust	Recreation	Cemeteries	Street Construction Maintenance & Repair
Assets:					
Equity in pooled cash and cash equivalents	\$ 62,276	\$ 119,627	\$ 2,848	\$ 27,100	\$ 1,040,894
Receivables (net of allowance for uncollectibles)					
Real and other taxes	-	-	-	-	438,820
Accounts	16	-	2	15	245
Special Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	221,015
Prepayments	610	-	23	417	9,393
Total Assets	\$ 62,902	\$ 119,627	\$ 2,873	\$ 27,532	\$ 1,710,367
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ -	\$ 245	\$ 72,510
Accrued wages and benefits	-	-	-	649	8,692
Due to other governments	547	-	66	837	12,414
Deferred revenue	-	-	-	-	540,322
Total Liabilities	547	-	66	1,731	633,938
Fund Balances (deficit):					
Reserved for Encumbrances	-	-	-	-	53,739
Reserved for Prepayments	610	-	23	417	9,393
Designated for Parks and Village Green	-	100,000	-	-	-
Unreserved, undesignated (deficit), reported in:					
Security of Persons and Property	-	-	-	-	-
Public Health	-	-	-	25,384	-
Transportation	-	-	-	-	1,013,297
Leisuretime Activities	61,745	19,627	2,784	-	-
Other Purposes	-	-	-	-	-
Total fund balances (deficit):	62,355	119,627	2,807	25,801	1,076,429
Total liabilities and fund balances	\$ 62,902	\$ 119,627	\$ 2,873	\$ 27,532	\$ 1,710,367

State Highway	Red Gate Operating	Publications	Street Light Assessment	Law Enforcement Trust	Mandatory Drug Fine	Education Enforcement Trust	DEA Federal Forfeiture	Total Special Revenue Funds
\$ 93,723	\$ 57,916	\$ 17,308	\$ 11,472	\$ 11,314	\$ 28	\$ 3,696	\$ 127	\$ 1,448,329
-	-	-	-	-	-	-	-	438,820
-	15,411	-	-	-	-	-	-	15,689
-	-	-	56,294	-	-	-	-	56,294
15,060	-	-	-	-	-	-	-	236,075
40	958	-	31	-	-	-	-	11,472
\$ 108,823	\$ 74,285	\$ 17,308	\$ 67,797	\$ 11,314	\$ 28	\$ 3,696	\$ 127	\$ 2,206,679
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,755
-	-	-	-	-	-	-	-	9,341
-	-	-	-	-	-	-	-	13,864
9,659	2,686	-	56,295	-	-	-	-	608,962
9,659	2,686	-	56,295	-	-	-	-	704,922
-	-	-	-	-	-	-	-	53,739
40	958	-	30	-	-	-	-	11,471
-	-	-	-	-	-	-	-	100,000
-	-	-	11,472	11,314	28	3,696	127	26,637
-	-	-	-	-	-	-	-	25,384
99,124	-	-	-	-	-	-	-	1,112,421
-	-	-	-	-	-	-	-	84,156
-	70,641	17,308	-	-	-	-	-	87,949
99,164	71,599	17,308	11,502	11,314	28	3,696	127	1,501,757
\$ 108,823	\$ 74,285	\$ 17,308	\$ 67,797	\$ 11,314	\$ 28	\$ 3,696	\$ 127	\$ 2,206,679

**CITY OF CANFIELD
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
DECEMBER 31, 2010**

	G O Debt Retirement	Storm Water Debt Retirement	Muni Complex Renovation Debt Retirement	Red Gate Debt Retirement	Total Debt Service Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 20,844	\$ 87,201	\$ 123	\$ 124,461	\$ 232,629
Receivables (net of allowance for uncollectibles)					
Real and other taxes	-	-	3,800	129,707	133,507
Due from other governments	-	-	-	9,224	9,224
Total Assets	<u>\$ 20,844</u>	<u>\$ 87,201</u>	<u>\$ 3,923</u>	<u>\$ 263,392</u>	<u>\$ 375,360</u>
Liabilities:					
Interfund Loan Payable	\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000
Deferred revenue	-	-	3,800	138,931	142,731
Total Liabilities	<u>-</u>	<u>-</u>	<u>8,800</u>	<u>138,931</u>	<u>147,731</u>
Fund Balances (deficit):					
Unreserved, undesignated (deficit), reported in:					
Debt Service Funds	20,844	87,201	(4,877)	124,461	227,629
Total fund balances (deficit):	<u>20,844</u>	<u>87,201</u>	<u>(4,877)</u>	<u>124,461</u>	<u>227,629</u>
Total liabilities and fund balances	<u>\$ 20,844</u>	<u>\$ 87,201</u>	<u>\$ 3,923</u>	<u>\$ 263,392</u>	<u>\$ 375,360</u>

CITY OF CANFIELD
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
DECEMBER 31, 2010

	General Capital Improvement Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 21,643
Total Assets	\$ 21,643
 Fund Balances (deficit):	
Unreserved, undesignated (deficit), reported in:	
Capital Projects Funds	21,643
Total fund balances (deficit):	21,643
Total liabilities and fund balances	\$ 21,643

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**CITY OF CANFIELD
COMBINING BALANCE SHEET
PERMANENT FUNDS
DECEMBER 31, 2010**

	Cemetery Perpetual Care	Faripark Trust	Total Permanent Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 149,611	\$ 78,144	\$ 227,755
Receivables (net of allowance for uncollectibles)			
Accounts	0	624	624
Total Assets	\$ 149,611	\$ 78,768	\$ 228,379
Liabilities:			
Deferred revenue	\$ -	\$ 274	\$ 274
Total Liabilities	-	274	274
Fund Balances (deficit):			
Reserved for Perpetual Care	72,400	15,000	87,400
Unreserved, undesignated (deficit), reported in: Permanent Funds	77,211	63,494	140,705
Total fund balances (deficit):	149,611	78,494	228,105
Total liabilities and fund balances	\$ 149,611	\$ 78,768	\$ 228,379

CITY OF CANFIELD

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	Special Revenue Funds	Debt Service Funds
Revenues:			
Income Taxes	\$ 2,308,433	\$ -	\$ -
Real and Other Taxes	-	440,796	119,547
Other Local Taxes	-	61,639	-
Special Assessments	3,477	30,879	-
Charges for Services	243,066	26,984	-
Licenses and Permits	61,917	-	-
Fines and Forfeitures	62,644	-	-
Intergovernmental	678,062	545,510	25,648
Investment Income	26,085	5,732	-
Decrease in FMV of Investments	(7,256)	-	-
Other	31,614	37,045	-
Total Revenues	3,408,042	1,148,585	145,195
Expenditures:			
Current:			
General Government	806,865	15,018	-
Security of Persons and Property	2,249,687	28,418	-
Public Health and Welfare	29,609	24,865	-
Leisuretime Activities	-	84,123	-
Community Environment	92,522	-	-
Transportation	-	724,771	-
Other	759	-	-
Capital Outlay	266,470	182,474	-
Debt Service:			
Principal Retirement	-	-	24,919
Interest & Fiscal Charges	-	-	59,415
Total Expenditures	3,445,912	1,059,669	84,334
Excess (deficiency) of revenues over (under) expenditures	(37,870)	88,916	60,861
Other Financing Sources (Uses)			
Sale of Capital Assets	1	-	-
Transfers in	-	124,875	1,000
Transfers out	(125,875)	-	-
Total Other Financing Sources (Uses)	(125,874)	124,875	1,000
Net Change in Fund Balance	(163,744)	213,791	61,861
Fund Balances at the Beginning of the Year (Restated)	2,190,464	1,287,966	165,768
Fund Balances (Deficit) at End of the Year	\$ 2,026,720	\$ 1,501,757	\$ 227,629

Capital Projects Funds	Permanent Funds	Total Governmental Funds	Less: Major Funds		
			General Fund	Street Construction, Maintenance, & Repair Fund	Other Governmental Funds
\$ -	\$ -	\$ 2,308,433	\$2,308,433	\$ -	\$ -
-	-	560,343	-	440,796	119,547
-	-	61,639	-	61,639	-
-	-	34,356	3,477	-	30,879
-	5,200	275,250	243,066	-	32,184
-	-	61,917	61,917	-	-
-	-	62,644	62,644	-	-
-	-	1,249,220	678,062	446,913	124,245
-	1,129	32,946	26,085	4,279	2,582
-	-	(7,256)	(7,256)	-	-
-	2,782	71,441	31,614	5,682	34,145
-	9,111	4,710,933	3,408,042	959,309	343,582
-	-	821,883	806,865	-	15,018
-	-	2,278,105	2,249,687	-	28,418
-	-	54,474	29,609	-	24,865
-	-	84,123	-	-	84,123
-	-	92,522	92,522	-	-
-	-	724,771	-	692,139	32,632
-	-	759	759	-	-
4,896	-	453,840	266,470	94,204	93,166
-	-	24,919	-	-	24,919
-	-	59,415	-	-	59,415
4,896	-	4,594,811	3,445,912	786,343	362,556
(4,896)	9,111	116,122	(37,870)	172,966	(18,974)
-	-	1	1	-	-
-	-	125,875	-	-	125,875
-	-	(125,875)	(125,875)	-	-
-	-	1	(125,874)	-	125,875
(4,896)	9,111	116,123	(163,744)	172,966	106,901
26,539	218,994	3,889,731	2,190,464	903,463	795,804
\$ 21,643	\$ 228,105	\$ 4,005,854	\$2,026,720	\$ 1,076,429	\$ 902,705

CITY OF CANFIELD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Self Insurance	Unclaimed Monies	General Fund Total
Revenues:				
Income Taxes	\$ 2,308,433	\$ -	\$ -	\$ 2,308,433
Special Assessments	3,477	-	-	3,477
Charges for Services	243,066	-	-	243,066
Licenses and Permits	61,917	-	-	61,917
Fines and Forfeitures	62,644	-	-	62,644
Intergovernmental	678,062	-	-	678,062
Investment Income	26,085	-	-	26,085
Decrease in FMV of Investments	(7,256)	-	-	(7,256)
Other	26,295	5,319	-	31,614
Total Revenues	<u>3,402,723</u>	<u>5,319</u>	<u>-</u>	<u>3,408,042</u>
Expenditures:				
Current:				
General Government	806,865	-	-	806,865
Security of Persons and Property	2,247,078	2,609	-	2,249,687
Public Health and Welfare	29,609	-	-	29,609
Community Environment	92,522	-	-	92,522
Other	759	-	-	759
Capital Outlay	266,470	-	-	266,470
Total Expenditures	<u>3,443,303</u>	<u>2,609</u>	<u>-</u>	<u>3,445,912</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,580)</u>	<u>2,710</u>	<u>-</u>	<u>(37,870)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1	-	-	1
Transfers out	(125,875)	-	-	(125,875)
Total Other Financing Sources (Uses)	<u>(125,874)</u>	<u>-</u>	<u>-</u>	<u>(125,874)</u>
Net Change in Fund Balance	(166,454)	2,710	-	(163,744)
Fund Balances at the Beginning of the Year (Restated)	<u>2,077,535</u>	<u>110,670</u>	<u>2,259</u>	<u>2,190,464</u>
Fund Balances (Deficit) at End of the Year	<u>\$ 1,911,081</u>	<u>\$ 113,380</u>	<u>\$ 2,259</u>	<u>\$ 2,026,720</u>

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CITY OF CANFIELD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Parks	Parks & Village Green Trust	Recreation	Cemeteries	Street Construction, Maintenance, & Repair	State Highway
Revenues:						
Real and Other Taxes	\$ -	\$ -	\$ -	\$ -	\$ 440,796	\$ -
Other Local Taxes	-	-	-	-	61,639	-
Special Assessments	-	-	-	-	-	-
Charges for Services	15,284	-	-	11,700	-	-
Intergovernmental	-	-	-	-	446,913	29,403
Investment Income	-	605	-	141	4,279	478
Other	15	-	1,402	365	5,682	1,875
Total Revenues	<u>15,299</u>	<u>605</u>	<u>1,402</u>	<u>12,206</u>	<u>959,309</u>	<u>31,756</u>
Expenditures:						
Current:						
General Government	-	-	-	-	-	-
Security of Persons and Property	-	-	-	-	-	-
Public Health and Welfare	-	-	-	24,865	-	-
Leisuretime Activities	58,786	-	25,337	-	-	-
Transportation	-	-	-	-	692,139	32,632
Capital Outlay	6,127	-	-	775	94,204	629
Total Expenditures	<u>64,913</u>	<u>-</u>	<u>25,337</u>	<u>25,640</u>	<u>786,343</u>	<u>33,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(49,614)</u>	<u>605</u>	<u>(23,935)</u>	<u>(13,434)</u>	<u>172,966</u>	<u>(1,505)</u>
Other Financing Sources (Uses)						
Transfers in	65,000	-	25,000	28,000	-	-
Total Other Financing Sources (Uses)	<u>65,000</u>	<u>-</u>	<u>25,000</u>	<u>28,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	15,386	605	1,065	14,566	172,966	(1,505)
Fund Balances at the Beginning of the Year (Restated)	<u>46,969</u>	<u>119,022</u>	<u>1,742</u>	<u>11,235</u>	<u>903,463</u>	<u>100,669</u>
Fund Balances (Deficit) at End of the Year	<u>\$ 62,355</u>	<u>\$ 119,627</u>	<u>\$ 2,807</u>	<u>\$ 25,801</u>	<u>\$ 1,076,429</u>	<u>\$ 99,164</u>

Red Gate Operating	Publications	Street Light Assessment	State Law Enforcement Trust	Mandatory Drug Fine	Education Enforcement Trust	DEA Federal Forfeiture	Federal JAG Grant-Dispatch Consol	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 440,796
-	-	-	-	-	-	-	-	61,639
-	-	30,879	-	-	-	-	-	30,879
-	-	-	-	-	-	-	-	26,984
-	-	-	33,142	-	5,427	-	30,625	545,510
-	88	-	95	-	42	4	-	5,732
27,706	-	-	-	-	-	-	-	37,045
<u>27,706</u>	<u>88</u>	<u>30,879</u>	<u>33,237</u>	<u>-</u>	<u>5,469</u>	<u>4</u>	<u>30,625</u>	<u>1,148,585</u>
14,658	360	-	-	-	-	-	-	15,018
-	-	28,418	-	-	-	-	-	28,418
-	-	-	-	-	-	-	-	24,865
-	-	-	-	-	-	-	-	84,123
-	-	-	-	-	-	-	-	724,771
750	-	-	32,962	280	10,649	1,098	35,000	182,474
<u>15,408</u>	<u>360</u>	<u>28,418</u>	<u>32,962</u>	<u>280</u>	<u>10,649</u>	<u>1,098</u>	<u>35,000</u>	<u>1,059,669</u>
12,298	(272)	2,461	275	(280)	(5,180)	(1,094)	(4,375)	88,916
-	-	2,500	-	-	-	-	4,375	124,875
-	-	2,500	-	-	-	-	4,375	124,875
12,298	(272)	4,961	275	(280)	(5,180)	(1,094)	-	213,791
59,301	17,580	6,541	11,039	308	8,876	1,221	-	1,287,966
<u>\$ 71,599</u>	<u>\$ 17,308</u>	<u>\$ 11,502</u>	<u>\$ 11,314</u>	<u>\$ 28</u>	<u>\$ 3,696</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 1,501,757</u>

CITY OF CANFIELD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	G O Debt Retirement	Storm Water Debt Retirement	Muni Complex Debt Retirement	Red Gate Debt Retirement	Total Debt Service Funds
Revenues:					
Real and Other Taxes	\$ -	\$ -	\$ 42,695	\$ 76,852	\$ 119,547
Intergovernmental	-	-	9,160	16,488	25,648
Total Revenues	-	-	51,855	93,340	145,195
Expenditures:					
Debt Service:					
Principal Retirement	-	24,919	-	-	24,919
Interest & Fiscal Charges	-	-	731	58,684	59,415
Total Expenditures	-	24,919	731	58,684	84,334
Excess (deficiency) of revenues over (under) expenditures	-	(24,919)	51,124	34,656	60,861
Other Financing Sources (Uses)					
Transfers in	-	-	1,000	-	1,000
Total Other Financing Sources (Uses)	-	-	1,000	-	1,000
Net Change in Fund Balance	-	(24,919)	52,124	34,656	61,861
Fund Balances at the Beginning of the Year (Restated)	20,844	112,119	(57,000)	89,805	165,768
Fund Balances (Deficit) at End of the Year	\$ 20,844	\$ 87,200	\$ (4,876)	\$ 124,461	\$ 227,629

CITY OF CANFIELD

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General Capital Improvement
Expenditures:	
Capital Outlay	\$ 4,896
Total Expenditures	<u>4,896</u>
Net Change in Fund Balance	(4,896)
Fund Balances at the Beginning of the Year (Restated)	<u>26,539</u>
Fund Balances (Deficit) at End of the Year	<u><u>\$ 21,643</u></u>

CITY OF CANFIELD

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PERMANENT FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Cemetery Perpetual Care	Fair Park Trust	Total Permanent Funds
Revenues:			
Charges for Services	\$ 5,200	\$ -	\$ 5,200
Investment Income	742	387	1,129
Other	-	2,782	2,782
Total Revenues	<u>5,942</u>	<u>3,169</u>	<u>9,111</u>
Net Change in Fund Balance	5,942	3,169	9,111
Fund Balances at the Beginning of the Year (Restated)	<u>143,669</u>	<u>75,325</u>	<u>218,994</u>
Fund Balances (Deficit) at End of the Year	<u><u>\$ 149,611</u></u>	<u><u>\$ 78,494</u></u>	<u><u>\$ 228,105</u></u>

CITY OF CANFIELD
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - WATER
AS OF DECEMBER 31, 2010

Business-type Activities - Enterprise Funds

	Water Operating	Waterline Improvement	Meter Replacement/ Water Tank Improvement	Water Enterprise Total
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 917,971	\$ 3,613	\$ 736,500	\$ 1,658,084
Investments	2,854	-	-	2,854
Receivables (Net of Allowance for Uncollectibles)				
Accounts	259,692	-	-	259,692
Prepayments	15,258	-	-	15,258
Total Current Assets	1,195,775	3,613	736,500	1,935,888
Noncurrent Assets:				
Capital Assets				
Land and Construction in Progress	39,558	-	14,580	54,138
Depreciable Capital Assets, Net	5,131,428	-	-	5,131,428
Total Capital Assets	5,170,986	-	14,580	5,185,566
Total Noncurrent Assets	5,170,986	-	14,580	5,185,566
Total Assets	6,366,761	3,613	751,080	7,121,454
Liabilities:				
Current Liabilities:				
Accounts Payable	2,352	-	1,080	3,432
Accrued Wages and Benefits	4,893	-	-	4,893
Due to Other Governments	68,542	-	-	68,542
Compensated Absences	6,197	-	-	6,197
Total Current Liabilities	81,984	-	1,080	83,064
Total Liabilities	81,984	-	1,080	83,064
Net Assets:				
Invested in Capital Assets, Net of Related Debt	5,170,986	-	14,580	5,185,566
Unrestricted	1,113,791	3,613	735,420	1,852,824
Total Net Assets	\$ 6,284,777	\$ 3,613	\$ 750,000	\$ 7,038,390

CITY OF CANFIELD
 COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS - SEWER
 AS OF DECEMBER 31, 2010

Business-type Activities - Enterprise Funds

	Sewer Operating	NW Sewer Debt Retirement	Sewer System Improvement Debt Retirement	Sanitary Sewer System Improvement	Sawmill Sanitary Sewer Lining Improvement	Sewer Enterprise Total
Assets:						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 1,319,880	\$ 551	\$ 21,227	\$ 39,897	\$ -	\$ 1,381,555
Receivables (Net of Allowance for Uncollectibles)						
Accounts	316,166	-	9,343	-	-	325,509
Prepayments	4,524	-	-	-	-	4,524
Total Current Assets	1,640,570	551	30,570	39,897	-	1,711,588
Noncurrent Assets:						
Capital Assets						
Land and Construction in Progress	11,157	-	-	-	-	11,157
Depreciable Capital Assets, Net	3,510,877	-	-	-	410,647	3,921,524
Total Capital Assets	3,522,034	-	-	-	410,647	3,932,681
Total Noncurrent Assets	3,522,034	-	-	-	410,647	3,932,681
Total Assets	5,162,604	551	30,570	39,897	410,647	5,644,269
Liabilities:						
Current Liabilities:						
Accounts Payable	2,035	-	-	-	-	2,035
Accrued Wages and Benefits	4,277	-	-	-	-	4,277
Due to Other Governments	42,405	-	-	-	-	42,405
Compensated Absences	5,660	-	-	-	-	5,660
Current Portion of OPWC Loans	-	-	41,166	-	-	41,166
Total Current Liabilities	54,377	-	41,166	-	-	95,543
Long-term Liabilities:						
OPWC Loans	-	-	448,963	-	-	448,963
Total Long-term Liabilities	-	-	448,963	-	-	448,963
Total Liabilities	54,377	-	490,129	-	-	544,506
Net Assets:						
Invested in Capital Assets, Net of Related Debt	3,522,034	-	(490,129)	-	410,647	3,442,552
Unrestricted	1,586,193	551	30,570	39,897	-	1,657,211
Total Net Assets	\$ 5,108,227	\$ 551	\$ (459,559)	\$ 39,897	\$ 410,647	\$ 5,099,763

CITY OF CANFIELD
 COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS - STORM
 AS OF DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds						Storm Enterprise Total
	Storm Operating	NE Storm Water Management Project Phase 1	NE Storm Water Management Project Phase 2	NE Storm Water Management Project Phase 3	NE Storm Water Management Project Phase 4	NE Storm Water Management Project Phase 5	
Assets:							
Current Assets:							
Equity in Pooled Cash and Cash Equivalents	\$ 120,120	\$ -	\$ -	\$ -	\$ 5,446	\$ 396,555	\$ 522,121
Receivables (Net of Allowance for Uncollectibles)							
Accounts	39,413	-	-	-	-	-	39,413
Due From Other Governments	-	-	-	-	-	206,773	206,773
Prepayments	1,299	-	-	-	-	-	1,299
Total Current Assets	<u>160,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,446</u>	<u>603,328</u>	<u>769,606</u>
Noncurrent Assets:							
Capital Assets							
Land and Construction in Progress	29,211	-	-	-	577,690	244,765	851,666
Depreciable Capital Assets, Net	3,556,165	564,943	436,082	393,308	-	-	4,950,498
Total Capital Assets	<u>3,585,376</u>	<u>564,943</u>	<u>436,082</u>	<u>393,308</u>	<u>577,690</u>	<u>244,765</u>	<u>5,802,164</u>
Total Noncurrent Assets	<u>3,585,376</u>	<u>564,943</u>	<u>436,082</u>	<u>393,308</u>	<u>577,690</u>	<u>244,765</u>	<u>5,802,164</u>
Total Assets	<u>3,746,208</u>	<u>564,943</u>	<u>436,082</u>	<u>393,308</u>	<u>583,136</u>	<u>848,093</u>	<u>6,571,770</u>
Liabilities:							
Current Liabilities:							
Accounts Payable	223	-	-	-	-	37,500	37,723
Accrued Wages and Benefits	1,075	-	-	-	-	-	1,075
Due to Other Governments	1,378	-	-	-	-	-	1,378
Interfund Loans Payable	-	-	-	-	-	433,320	433,320
Compensated Absences	1,946	-	-	-	-	-	1,946
Total Current Liabilities	<u>4,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>470,820</u>	<u>475,442</u>
Total Liabilities	<u>4,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>470,820</u>	<u>475,442</u>
Net Assets:							
Invested in Capital Assets, Net of Related Debt	3,585,376	564,943	436,082	393,308	577,690	244,765	5,802,164
Unrestricted	156,210	-	-	-	5,446	132,508	294,164
Total Net Assets	<u>\$ 3,741,586</u>	<u>\$ 564,943</u>	<u>\$ 436,082</u>	<u>\$ 393,308</u>	<u>\$ 583,136</u>	<u>\$ 377,273</u>	<u>\$ 6,096,328</u>

CITY OF CANFIELD
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 PROPRIETARY FUNDS - WATER
 FOR THE YEAR ENDED DECEMBER 31, 2010

Business-type Activities - Enterprise Funds

	Water Operating	Waterline Improvement	Meter Replacement/ Water Tank Improvement	Water Enterprise Total
Operating Revenues				
Charges for Services	\$ 1,210,566	\$ 3,000	\$ -	\$ 1,213,566
Other	812	-	-	812
Total Operating Revenues	<u>1,211,378</u>	<u>3,000</u>	<u>-</u>	<u>1,214,378</u>
Operating Expenses:				
Personal Services	137,852	-	-	137,852
Contractual Services	916,791	-	-	916,791
Supplies and Materials	26,045	-	-	26,045
Other	56,486	-	-	56,486
Depreciation	215,521	-	-	215,521
Total Operating Expenses	<u>1,352,695</u>	<u>-</u>	<u>-</u>	<u>1,352,695</u>
Operating Income (Loss)	<u>(141,317)</u>	<u>3,000</u>	<u>-</u>	<u>(138,317)</u>
Nonoperating Revenues (Expenses):				
Decrease in FV of Investments	(28)	-	-	(28)
Total Nonoperating Revenues (Expenses)	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>(28)</u>
Income (Loss)/Changes in Net Assets	(141,345)	3,000	-	(138,345)
Capital Contributions	<u>172,820</u>	<u>-</u>	<u>-</u>	<u>172,820</u>
Changes in Net Assets	31,475	3,000	-	34,475
Net Assets at Beginning of Year	<u>6,253,302</u>	<u>613</u>	<u>750,000</u>	<u>7,003,915</u>
Net Assets at End of Year	<u>\$ 6,284,777</u>	<u>\$ 3,613</u>	<u>\$ 750,000</u>	<u>\$ 7,038,390</u>

CITY OF CANFIELD
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS - SEWER
FOR THE YEAR ENDED DECEMBER 31, 2010

Business-type Activities - Enterprise Funds

	Sewer Operating	NW Sewer Debt Retirement	Sewer System Improvement Debt Retirement	Sanitary Sewer System Improvement	Sawmill Sanitary Sewer Lining Improvement	Sewer Enterprise Total
Operating Revenues						
Charges for Services	\$ 1,413,698	\$ -	\$ 43,487	\$ 2,960	\$ -	\$ 1,460,145
Other	94	-	-	-	-	94
Total Operating Revenues	1,413,792	-	43,487	2,960	-	1,460,239
Operating Expenses:						
Personal Services	131,830	-	-	-	-	131,830
Contractual Services	852,892	-	-	-	-	852,892
Supplies and Materials	5,096	-	-	-	-	5,096
Other	57,000	-	-	-	-	57,000
Depreciation	126,444	-	-	-	8,584	135,028
Total Operating Expenses	1,173,262	-	-	-	8,584	1,181,846
Operating Income (Loss)	240,530	-	43,487	2,960	(8,584)	278,393
Nonoperating Revenues (Expenses):						
Transfers Out	(163,000)	-	-	-	-	(163,000)
Total Nonoperating Revenues (Expenses)	(163,000)	-	-	-	-	(163,000)
Income (Loss)/Changes in Net Assets	77,530	-	43,487	2,960	(8,584)	115,393
Capital Contributions	196,628	-	-	-	-	196,628
Changes in Net Assets	274,158	-	43,487	2,960	(8,584)	312,021
Net Assets at Beginning of Year	4,834,069	551	(503,046)	36,937	419,231	4,787,742
Net Assets at End of Year	\$ 5,108,227	\$ 551	\$ (459,559)	\$ 39,897	\$ 410,647	\$ 5,099,763

CITY OF CANFIELD
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 PROPRIETARY FUNDS - STORM
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds						Storm Enterprise Total
	Storm Operating	NE Storm Water Management Project Phase 1	NE Storm Water Management Project Phase 2	NE Storm Water Management Project Phase 3	NE Storm Water Management Project Phase 4	NE Storm Water Management Project Phase 5	
Operating Revenues							
Charges for Services	\$ 171,861	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,861
Other	27	-	-	-	-	-	27
Total Operating Revenues	171,888	-	-	-	-	-	171,888
Operating Expenses:							
Personal Services	31,263	-	-	-	-	-	31,263
Contractual Services	6,607	-	-	-	-	-	6,607
Supplies and Materials	3,583	-	-	-	-	-	3,583
Other	10,000	-	-	-	-	-	10,000
Depreciation	98,678	11,894	8,915	8,040	-	-	127,527
Total Operating Expenses	150,131	11,894	8,915	8,040	-	-	178,980
Operating Income (Loss)	21,757	(11,894)	(8,915)	(8,040)	-	-	(7,092)
Nonoperating Revenues (Expenses):							
Intergovernmental Revenue	-	-	-	-	36,780	206,773	243,553
Transfers In	52,235	-	-	-	55,600	170,500	278,335
Transfers Out	(63,100)	-	(19,341)	(32,894)	-	-	(115,335)
Total Nonoperating Revenues (Expenses)	(10,865)	-	(19,341)	(32,894)	92,380	377,273	406,553
Income (Loss)/Changes in Net Assets	10,892	(11,894)	(28,256)	(40,934)	92,380	377,273	399,461
Capital Contributions	374,528	-	-	-	-	-	374,528
Changes in Net Assets	385,420	(11,894)	(28,256)	(40,934)	92,380	377,273	773,989
Net Assets at Beginning of Year (Restated)	3,356,166	576,837	464,338	434,242	490,756	-	5,322,339
Net Assets at End of Year	\$ 3,741,586	\$ 564,943	\$ 436,082	\$ 393,308	\$ 583,136	\$ 377,273	\$ 6,096,328

CITY OF CANFIELD
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST
AS OF DECEMBER 31, 2010

	Cemetery Endowment
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 27,855
Total Current Assets	27,855
Total Assets	27,855
Net Assets:	
Held in Trust for Other Purposes	27,855
Total Net Assets	\$ 27,855

CITY OF CANFIELD
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS - AGENCY
AS OF DECEMBER 31, 2010

	<u>Performance Deposit</u>	<u>Security Deposit</u>	<u>Performance Deposit</u>	<u>Subdivision Deposits</u>	<u>Mayor's Court</u>	<u>Agency Funds Total</u>
Assets:						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 4,608	\$ 3,625	\$ 1,500	\$ 27,261	\$ 8,633	\$ 45,627
Total Current Assets	<u>4,608</u>	<u>3,625</u>	<u>1,500</u>	<u>27,261</u>	<u>8,633</u>	<u>45,627</u>
Total Assets	<u>4,608</u>	<u>3,625</u>	<u>1,500</u>	<u>27,261</u>	<u>8,633</u>	<u>45,627</u>
Liabilities:						
Current Liabilities:						
Deposits Held and Due to Others	4,608	3,625	1,500	27,261	8,633	45,627
Total Current Liabilities	<u>4,608</u>	<u>3,625</u>	<u>1,500</u>	<u>27,261</u>	<u>8,633</u>	<u>45,627</u>
Total Liabilities	<u>4,608</u>	<u>3,625</u>	<u>1,500</u>	<u>27,261</u>	<u>8,633</u>	<u>45,627</u>
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CANFIELD

COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUND - PRIVATE PURPOSE TRUST
FOR THE YEAR ENDED DECEMBER 31, 2010

	Cemetery Endowment
Net Assets at Beginning of Year	<u>\$ 27,855</u>
Net Assets at End of Year	<u><u>\$ 27,855</u></u>

CITY OF CANFIELD

COMBINING STATEMENT OF CHANGES IN NET ASSETS
 FIDUCIARY FUND - AGENCY
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Performance Deposit	Security Deposit	Mayor's Court	Agency Funds Total
Nonoperating Revenues (Expenses):				
Other Sources	\$ 200	\$ 4,600	\$ 62,662	\$ 67,462
Other Uses	(200)	(4,600)	(62,662)	(67,462)
Total Nonoperating Revenues (Expenses)	-	-	-	-
Changes in Net Assets	-	-	-	-
Net Assets at Beginning of Year	-	-	-	-
Net Assets at End of Year	\$ -	\$ -	\$ -	\$ -



**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, Ohio, (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 24, 2011, wherein we noted the City implemented GASB Statement No. 51, 53, and 58. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Members of Council and Mayor
City of Canfield
Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
June 24, 2011



Dave Yost • Auditor of State

CITY OF CANFIELD

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 13, 2011