

**Auditor of State
Betty Montgomery**

CITY OF NORTH CANTON
STARK COUNTY

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**Auditor of State
Betty Montgomery**

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

City of North Canton
Stark County
145 North Main Street
North Canton, Ohio 44720

To the Honorable Mayor and City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Canton, Stark County, Ohio, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated August 12, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*.

City of North Canton
Stark County
Independent Accountants' 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 the audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 12, 2005



**Auditor of State
Betty Montgomery**

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

City of North Canton
Stark County
145 Main Street
North Canton, Ohio 44720

To the Honorable Mayor and City Council:

Compliance

We have audited the compliance of the City of North Canton, Stark County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each major federal program for the year ended December 31, 2004. The summary of auditor's results section of the accompanying Schedule of Findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to each major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Federal Awards Receipts and Expenditures Schedule

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 as of and for the year ended December 31, 2004, and have issued our report thereon dated August 12, 2005. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Federal Awards Receipts and Expenditures Schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 12, 2005

CITY OF NORTH CANTON
STARK COUNTY

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Direct</i>			
Surveys-Studies-Investigations and Special Purpose Grants	66.606	\$849,490	\$867,300
<u>U.S. DEPARTMENT HOMELAND SECURITY</u>			
<i>Direct</i>			
Assistance to Firefighters Grant	97.044	46,019	46,019
<i>Passed Through Stark County Board of Commissioners</i>			
State Domestic Preparedness Equipment Support Program	97.004	10,648	10,648
Total U.S. Department of Homeland Security		<u>56,667</u>	<u>56,667</u>
Total		<u>\$906,157</u>	<u>\$923,967</u>

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

**CITY OF NORTH CANTON
STARK COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Federal Awards Receipts and Expenditures Schedule reports all such 2004 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirement of these programs has not changed.

**CITY OF NORTH CANTON
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

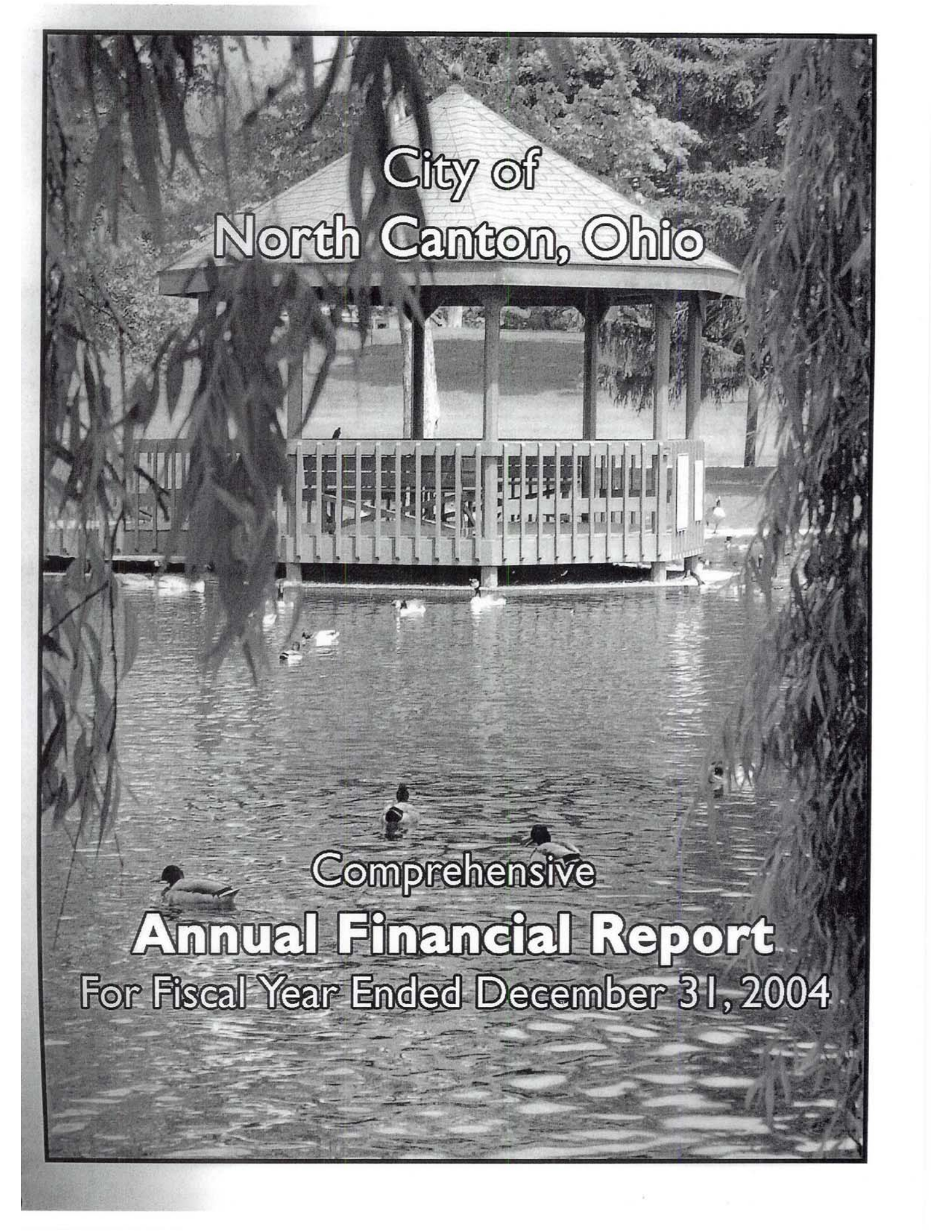
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Surveys-Studies-Investigations and Special Purpose Grants/CFDA 66.606
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



City of
North Canton, Ohio

Comprehensive
Annual Financial Report
For Fiscal Year Ended December 31, 2004

"Price Park, the City's premier park, is a 13-acre facility that features a multitude of recreational activities for the entire family. These features include tennis courts, basketball courts, softball field, playground equipment, and a pond for fishing. The park also includes two large picnic pavilions, year-round restrooms, and numerous picnic tables. One of the most popular features of the park is the one-mile paved walking path. Price Park is located on W. Maple Street with additional access from Glenwood St. S.W."

CITY OF NORTH CANTON, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2004

Julie A. Herr
Director of Finance

Prepared by the City Finance Department



Introductory Section

City of North Canton, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2004
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City of NORTH CANTON, OHIO

145 NORTH MAIN STREET
NORTH CANTON, OHIO 44720-2587
www.northcantonohio.com

August 12, 2005

Honorable Citizens of North Canton
and Members of City Council
North Canton, Ohio

The Comprehensive Annual Financial Report (CAFR) of the City of North Canton, Ohio (City) is hereby presented. This CAFR represents the official report of the City of North Canton's operations and financial position for the year ended December 31, 2004, and has been developed to accurately detail the status of City finances to North Canton residents and elected officials, investment banks and underwriters and all other interested parties. This report is presented in compliance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"

Responsibility for the accuracy of the data contained herein, for the completeness and fairness of the presentation and for all disclosure rests with the City's management. To the best of her knowledge, the Director of Finance believes that the financial and other data contained in this report fairly present the financial position and results of operations of the City. All necessary disclosures to enable the citizens and other readers to understand the City's financial activities are included in this report.

The Comprehensive Annual Financial Report consists of three major sections.

1. The Introductory Section contains Table of Contents, Letter of Transmittal, the GFOA Certificate of Achievement for Excellence in Financial Reporting, the Organizational Chart for the City, the List of the elected and appointed City officials and the Organizational Chart for the Finance Department.
2. The Financial Section includes the Independent Accountants' Report and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statements, and other schedules providing detailed information relative to the Basis Financial Statements.
3. The Statistical Section presents financial, economic, social, and demographic data about the City for the last 10 years.

THE REPORTING ENTITY

The City has reviewed its reporting entity definition in order to ensure compliance and conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". For financial reporting definition purposes, City management has considered all agencies, departments, and organizations comprising the City of North Canton, the primary government, and its potential component units.

The North Canton City School District and the North Canton Public Library have not been included in the accompanying financial statements. Boards of both entities are not appointed by the City, nor is either fiscally dependent on the City of North Canton.

The North Canton Community Improvement Corporation will be presented as a component unit. There was no financial activity for 2004, therefore there will be no financial statements or notes to the financial statements. See Note 22 for additional information.

The City participates in two jointly governed organizations, the Stark Council of Governments and the Stark County Combined General Health District. These organizations are described in Note 17 of the Basic Financial Statements.

THE CITY OF NORTH CANTON

The City acquired its first existence as a recognized political entity when the Village plat was recorded on February 19, 1831 as New Berlin. As a result of sentiment against Germany during World War I, the name of the Village was changed to North Canton on January 31, 1918. The City gained formal status as a City in 1962.

The City is located in the northern half of Stark County and is approximately 6.54 square miles in size. The City's population, according to the 2000 census, was 16,369. The City is in close proximity to Interstate 77 which provides access to other metropolitan areas, including Canton, Akron and Cleveland. The Akron-Canton Regional Airport, which is within 10 miles of the City, provides commercial passenger and air freight service.

North Canton is a community known for the superior public services it offers to its residents, as well as its excellent public education system. The City of North Canton residents also have several secondary education institutions within close proximity. Walsh University is located within the City while both Stark State College and the Stark Campus of Kent State University are located within a mile of the City's western border.

As authorized by its charter and codes, the City provides the following broad categories of services to its citizens:

- The Department of Service includes the divisions of Streets, Sewer, Water, Engineering, and Parks and Playgrounds.
- The Department of Safety includes the divisions of Police, Fire, Health and Sanitation, Emergency Medical Services, and Inspection and Licensing.
- The City also operates three enterprise activities: a water system, a sewer system, and garbage service. The water service is metropolitan in nature and reaches far beyond the City's incorporated boundaries.

CITY GOVERNMENT

North Canton was organized as a city effective January 1, 1962; the City is a home-rule municipal corporation operating under the laws of the State of Ohio. The City's current charter, its municipal constitution, has been amended seven times since its original adoption on November 8, 1960. The laws of the State of Ohio prevail when conflicts exist between the charter and the state constitution and in matters where the charter is silent. The Charter provides for a "Mayor-Administrator-Council" form of government. The City's charter can only be amended by a majority vote of the City's registered voters.

Legislative authority is vested in a seven-member Council, four of which are elected from wards and three are elected at-large. Council members are elected for two year terms in the odd numbered years through a nonpartisan election process. Their term of office begins December 1. The Council holds an organizational meeting within the first three days of December each year. The Mayor presides over the meeting until a President of Council is elected by the members of Council.

The Director of Law, Director of Finance and Clerk to the Council are appointed by, and serve at the pleasure of the Council. Council also appoints the three members of the City's Civil Service Commission. The Council fixes compensation of City officials and employees, and enacts legislation in the form of ordinances and resolutions relative to City services, tax levies, appropriating and borrowing monies, and other municipal purposes.

The Mayor is elected for a two year term to begin on the first day of December following the election. According to the Charter, the Mayor is the executive of the City and is responsible to the electors for enforcement of all laws and ordinances, and for control and proper operation of all administrative departments and divisions. The Mayor appoints a Director of Administration subject to confirmation by a majority vote of Council. The Director of Administration is responsible to the Mayor for the general administration of the affairs of the City.

ECONOMIC CONDITIONS AND OUTLOOK

The City continues to grow at a steady rate, both in the areas of commercial and residential development. During 2004, 71 commercial building permits were issued for a total value of \$7,516,171.

Walsh University, the City's third largest employer, continues to expand, both in physical size and enrollment. In 2004, construction was underway on the new \$4.3 million "Timken Natural Sciences Center" and the \$4.25 million Marie and Ervin Wilcoff Towers at Menard Hall. Future plans include a new \$2 million chapel as well as a \$1.5 million renovation to the Barrett Business Center.

Main Street in North Canton has seen a number of changes in the past year with the arrival of new businesses as well as improvements to existing businesses. New businesses on Main Street include Waggoners Chocolates, located at the former home of London's Candies, Norcia's Bakery, a new convenience store/gas station, a new photography studio and a Swenson's restaurant on the north end of the City. Main Street will continue to improve from an economic perspective on into 2005. Construction is currently underway on three new banking facilities, including a Fifth Third Bank, an Indian Village Bank and a Legacy Bank.

Development of the Washington Square retail and commercial area of the City continues. A Walgreen's drug store is planned for construction in 2005.

During 2004, a total of 59 new single family permits were issued at a value of approximately \$12.7 million. Most of these new permits are for the City's two newest housing developments, Washington Square and Monticello. The City recently annexed a 107-acre parcel of land which will be developed with approximately 200 single-family homes and 200 multi-family units. Construction of the development is expected to begin in late 2005.

The City offers a Community Reinvestment Area Tax Abatement (CRA) program for specially designated areas within the City. This program is available to both commercial and residential projects that involve new construction or renovations to existing buildings. The abatement is given on the improvement to the facilities. The City currently has seven commercial and one residential CRA agreements in place. In early 2004, the City created a second CRA known as the Valley View CRA. During 2004, one abatement was approved under this CRA.

A portion of the City is also located within an Enterprise Zone. An Enterprise Zone tax abatement program allows tax abatement on personal property items such as machinery and equipment and inventory. The City has one Enterprise Zone agreement that was in effect in 2004.

During 2004, other economic development endeavors were underway. First, City Council approved the creation of a full-time Economic Development Director position. The search for a candidate to fill this position was put on hold in 2004. It is the goal of the City's administration to have the position filled by July of 2005.

Another major accomplishment in the area of economic development was the creation of an economic development campaign, spearheaded by Walsh University. This campaign, known as "Imagine North Canton", involved dozens of city residents and business leaders, including the North Canton Chamber of Commerce and the City's Mayor. This was a group effort for the development of a long range economic plan for the City. One of the results to come out of the "Imagine North Canton" effort was the creation of a promotional campaign designed to promote the City in order to attract businesses and homebuyers. In late 2004, the City hired a local advertising firm to design the promotional materials for the campaign.

In other economic development initiatives, in 2005 City Council approved the funding of the City's Community Improvement Corporation from the City's general fund in the amount of \$1.5 million. This funding, which will take place over a 15 year period, is to be used to purchase land and to offer loan assistance programs for the purpose of attracting businesses to the City. However, a referendum initiative has resulted in this issue being placed on the November 2005 ballot for the voters to approve.

MAJOR INDUSTRY AFFECTING LOCAL ECONOMY

In 2004, many changes were initiated by Maytag Corporation, the parent company of the City's largest employer, the Hoover Company. During February and March 2004, Maytag laid off approximately 330 workers due to the cutback of Hoover's Elite line of vacuums. Also, in June 2004, Maytag announced the elimination of approximately 500 administrative jobs due to the consolidation of Hoover Company and Maytag Corporation headquarters. Research and development positions will still be maintained at the North Canton location. More recently, in May 2005, it was announced that the Maytag Corporation was going to be bought by a private investment firm out of New York. However, the sale still has to be approved by the stockholders of the company. Since this announcement, at least one other offer has been made to purchase Maytag. It is unknown at this time what impact the sale of Maytag to any of the interested parties will have on the operations of the Hoover Company.

In other news relating to the Hoover Company, the City and Maytag officials agreed to an amended settlement agreement which restructured the final payout of the \$2,058,315 tax refund which was owed as a result of the original settlement agreement. This amount was to be paid in one lump sum within 90 days of the filing of their 2003 corporate tax return. As a result of the amended agreement, this amount will now be paid in four installments over 2005 and early 2006. See Note 17 for more information.

Although the employment news and the settlement agreement will certainly have an impact on the City's overall financial condition, the impact is not as great as it would have been in previous years. The continued diversification of new businesses within the boundaries of the City, many service oriented, have left the City less reliant on the Hoover Company. City administrators have made it clear that even though the loss in tax revenue may limit capital projects in future years, there will be no reduction in the delivery of City services to its residents.

MAJOR INITIATIVES

Current Projects

In 2001, the City entered into a \$1.1 million contract for the construction of a 24" raw waterline to connect a newly developed well field to the Water Treatment Plant. In June 2001, two separate monitoring wells surrounding this new well were found to be contaminated. Preliminary results indicated that the contamination was due to a recent dumping and that the ground water had not been affected. City officials made the decision to halt the construction of the raw waterline, which, at that time, was approximately 30 percent complete. In March 2002, the EPA conducted final testing of the monitoring wells and found the wells to be free of contamination. In order to obtain EPA approval to use this well field, it had to be tested on a quarterly basis over a 12-month period. Test results in 2003 and 2004 came back clean. In 2004, the City began construction to complete the raw waterline connecting the well to the Water Treatment Plant. The waterline was completed in 2005 and both the well and waterline are in operation.

Construction of the long awaited improvements and upgrades to the City's water treatment plant continued in 2004. These improvements will increase the efficiency of the operation, which will result in lower energy costs and chemical costs, as well as a safer working environment for City employees. This project is being funded through a low interest loan with the Ohio EPA through the Water Supply Revolving Loan Account for a 20-year period with payments to begin in 2005.

Also in 2004, construction of the expansion to the water treatment plant began. The expansion will increase the capacity of the water treatment plant to 8.7 million gallons per day. The City was awarded a U.S. EPA grant in the amount of \$867,300 to help fund this project. The remainder of the project was funded by a low interest loan through the Water Supply Revolving Loan Account. The project is expected to be completed in 2005 and the loan repayment will begin in 2006.

The City continued its commitment to fund infrastructure projects. These projects include road resurfacing, curbs, gutters, and water and sanitary sewer lines. The City began construction of several major infrastructure projects during 2004, including Phase II of the Middlesworth Subdivision Rehabilitation, Bel Air Drive improvements, Everhard Road rehabilitation and numerous other waterline projects.

In November 2004, the voters of North Canton approved two replacement property tax levies for the purpose of funding street improvements and storm sewer improvements in the amount of 1.0 mill each. These two levies are expected to bring in an additional \$546,000 per year. Whereas a renewal levy continues to collect revenue at the same level as in the previous year with no increase in tax for voters, a replacement levy replaces the effective rate with the full rate which allows more revenues to be collected. These levies, which will begin to be collected in 2006, will help lessen the burden of funding capital projects with income tax funds.

During 2004, the City entered into agreements with the Ohio Department of Transportation and Ohio Public Works Commission for the purpose of improving South Main Street and Everhard Road. The total cost of the project is estimated at \$3.0 million, of which 80 percent of the construction costs will be funded by Federal Surface Transportation funds and 20 percent funded with State Issue 2 funds. This project entails widening South Main Street to include left turn lanes on to Everhard Road as well as re-building the County owned bridge on South Main Street. The design of this project was funded by the City and Stark County. Construction is to begin in 2005.

The success of the City's curbside recycling program continued on into 2004. The City received a \$60,000 grant from the Tri-County Solid Waste District to help fund the recycling program. Also in 2004, the City continued the leaf recycling program. The City used grant funds to purchase leaf recycling bags for its residents.

Major equipment purchases in 2004 include: three police cruisers at a total cost of \$80,169; a new pumper truck for the Fire Department at a cost of \$269,684; a dump truck for the Street Department at a cost of \$80,426; and a 2 ½ ton dump truck for the Water Distribution department at a cost of \$69,454.

Future Projects

In April 2005, the City applied for a third low-interest rate loan through the Drinking Water Revolving Loan Account to fund further projects at the City's water treatment plant, including the construction of a backwash holding tank and emergency generator. The cost for this combined project is estimated at \$1.3 million. Construction is to begin in the summer of 2005.

The City's water distribution continues to expand outside the borders of the City. In late 2004, the City entered into an agreement with the Akron-Canton Regional Airport to provide water service to the airport and its lessees. In April 2005, an agreement was reached with Aqua Ohio whereby Aqua would purchase water from the City at an average rate of 500,000 gallons per day. In order to accommodate this agreement, the City agreed to pay ½ of the cost of inter-connections between the City and Aqua Ohio. It is anticipated that this will result in a minimum of \$120,000 in additional revenue per year. Other expansion opportunities are in the planning stages, including providing water to the proposed Gateway Corporate Park to be located between Lauby Road and Interstate 77.

The Hoover Connector recreation trail will be extended through the North Canton Preserve Park under a partnership between the City and the Stark County Park District. This is the second phase of the Hoover Connector Trail. The City will be contributing approximately \$70,000 for this project.

In 2005, the City committed over \$5.5 million in funds for various infrastructure projects, including \$525,000 for the 9th, Orchard, and Overland rehabilitation, \$545,000 for the Phase 1 Knoll Street improvements, \$450,000 for the Valley View rehabilitation and \$385,000 for the Marquardt Sanitary Sewer.

In June 2005, the City was awarded two separate Credit Enhancement grants from the Ohio Public Works Commission in the amounts of \$518,081 and \$266,202, respectively. These grants will be used to cover the cost of capitalized interest plus the first year of interest repayment for the two outstanding Ohio Water Development Authority loans on the City's improvements and expansion of the Water Treatment Plant.

FINANCIAL INFORMATION

Introduction

The City's charter states that the Director of Finance shall be the head of the Finance Department and shall be the fiscal officer of the municipality. The Director of Finance serves the Mayor and Council as financial advisor in connection with municipal affairs and keeps the financial records of the municipality. The Director also is responsible for collection of all taxes and assessments and for disbursing the same as may be required by law or ordinance.

Internal Accounting Controls

In developing the City's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

Accounting Policies and Budgetary Controls

During the year, the City's accounting records are maintained on a cash basis for all of the City's funds. At year end, in order to convert its financial reporting from a cash basis to one in accordance and conformity with Generally Accepted Accounting Principles (GAAP), adjusting entries are prepared for the various funds to convert the cash basis records to modified accrual basis for governmental funds and the accrual basis for the enterprise, internal service and fiduciary funds. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. A more detailed explanation of the basis of accounting for the various funds is included in the notes to the basic financial statements, located in the Financial Section of this report.

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and the City Charter. According to the City's charter, the Mayor, with the assistance of the Finance Director, is required to submit to Council a schedule of anticipated revenue for the succeeding year by May 15 and a schedule of anticipated expenditures for the succeeding year by June 15. By July 15, after a public hearing, the City must adopt a tax budget for the succeeding year. The tax budget is then presented for review to the County Budget Commission, which is comprised of the County Auditor, Treasurer and Prosecuting Attorney. After approval of the tax budget, the County Budget Commission certifies its action to the City and remits to the City a Certificate of Estimated Resources. The Finance Director then submits to Council an appropriation ordinance for the succeeding year. Council is required to adopt the appropriation ordinance (the budget) within ninety days of the beginning of the year covered by such ordinance. Annual appropriations may not exceed the County Budget Commission's Certificate of Estimated Resources. The appropriation ordinance adopted by Council is at the fund level, the legal level of control.

The Finance Director maintains budgetary control on a non-GAAP basis by allocating appropriations within each fund by department and at major object levels which include personal service, travel and education, contractual services, supplies and materials, other expenditures, capital outlay, debt service, and transfers. For management purposes, the major object level is often further defined. Budgeted amounts may not exceed the aggregate appropriated by Council.

Budgetary control is maintained by an encumbrance of purchase commitment amounts prior to the release of purchase orders to vendors. The estimated expenditure is encumbered against the available appropriation. Encumbrances that would exceed the available appropriation are not approved or recorded until the City Council authorizes additional appropriations or the Finance Director authorizes intra-fund transfers of existing appropriations. Unencumbered appropriations lapse at the end of each year. The accounting system used by the City provides interim financial reports that detail year-to-date expenditures, prior year expenditures, encumbrances, original appropriations plus any additional appropriations made to date. The reports allow the Finance Director and other City officials to ascertain the status of a department's appropriations any time during the year.

As an additional control over expenditures, the City Charter requires that all contracts in excess of the amount established by the Ohio Revised Code (currently at \$25,000), be authorized by Council ordinance and awarded to a qualified responsible bidder through the Board of Control.

New Financial Reporting Model

This is the third year the City has prepared financial statements following GASB 34 "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments." GASB 34 creates new basic financial statements for reporting on the City's financial activities as follows:

Government-wide financial statements These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by businesses. The government-wide statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

Fund financial statements These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the governmental-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statements of budgetary comparisons These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of this new reporting model, management is responsible for preparing a Management's Discussion and Analysis of the City. This discussion follows the Independent Accountants' Report, providing an assessment of the City's finances for 2004 and a discussion of current issues affecting the City.

CASH MANAGEMENT

Cash management is a vital component in the City's overall financial strategy. An aggressive cash management program is maintained by the Director of Finance. Major considerations are timing of cash flows necessary to pay City liabilities and available interest rates. As City funds become available, they are invested in short-term certificates of deposit or other securities authorized by the City investment ordinance. Interest earnings are allocated to funds based on the City's ordinance requirements.

All deposits are covered by pooled collateral with a face value equal to at least 105% of deposits or by pledged securities held at a Federal Reserve Bank in the name of the respective depository bank.

RISK MANAGEMENT

The City carries property and liability insurance through Clarendon Insurance Co. Insurance premiums for the policy period of April 15, 2004 through April 15, 2005 totaled \$128,007.

The City carries a \$1,000,000/\$3,000,000 general liability (which includes employee benefits and EMT liability) insurance policy with no deductible and a \$1,000,000/\$3,000,000 law enforcement liability with a \$10,000 deductible. The City also carries a \$5,000,000 umbrella coverage over its general liability, automobile and law enforcement liability. Other coverage carried by the City includes property, inland marine, crime, boiler and machinery and public officials.

The City carries individual bonds for the Director of Finance, Mayor, Director of Administration and Police Chief in the amounts of \$25,000, \$20,000, \$10,000 and \$10,000, respectively. All other employees of the City are covered under a \$10,000 blanket bond.

The City assumes the risk of medical, hospitalization, dental, prescription drugs, and optical up to \$40,000 per employee. A third-party administrator processes and pays these claims on behalf of the City.

Workers' compensation claims are covered through the City's participation in the State of Ohio's program.

The employee life insurance program is administered on an actual claims basis through a life insurance company.

THE INDEPENDENT AUDIT

Ohio law requires independent audits to be performed on all financial operations of the City either by the Auditor of State or an independent public accounting firm, if permitted by the Auditor of State. The Auditor of State's office rendered an opinion on the City's financial statements as of December 31, 2004, and the Independent Accountants' Report on the basic financial statements is included in the financial section of this report.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Canton for its Comprehensive Annual Financial Report for the year ended December 31, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of North Canton has received a Certificate of Achievement for the last sixteen consecutive years (1988 - 2003). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

ACKNOWLEDGMENTS

Your Director of Finance strongly supports full disclosure of the City's finances. This is the seventeenth consecutive Comprehensive Annual Financial Report (CAFR) issued by the City of North Canton. We would like to thank the Mayor and Members of Council for their support that has allowed the upgrading of the Financial and Accounting Information System to the status that residents of the City of North Canton demand and deserve.

On behalf of the City of North Canton, we would like to thank the staff from the Auditor of State for their help in preparing the GASB 34 statements. They were cooperative, professional, and efficient and their guidance was extremely valuable.

This comprehensive annual financial report was prepared by the Finance Department with the efficient and dedicated services of its entire staff. I express my appreciation to each of them and to many of the City's other employees contributing to this effort.

Respectfully submitted,



Julie A. Herr
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Canton,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zielle

President

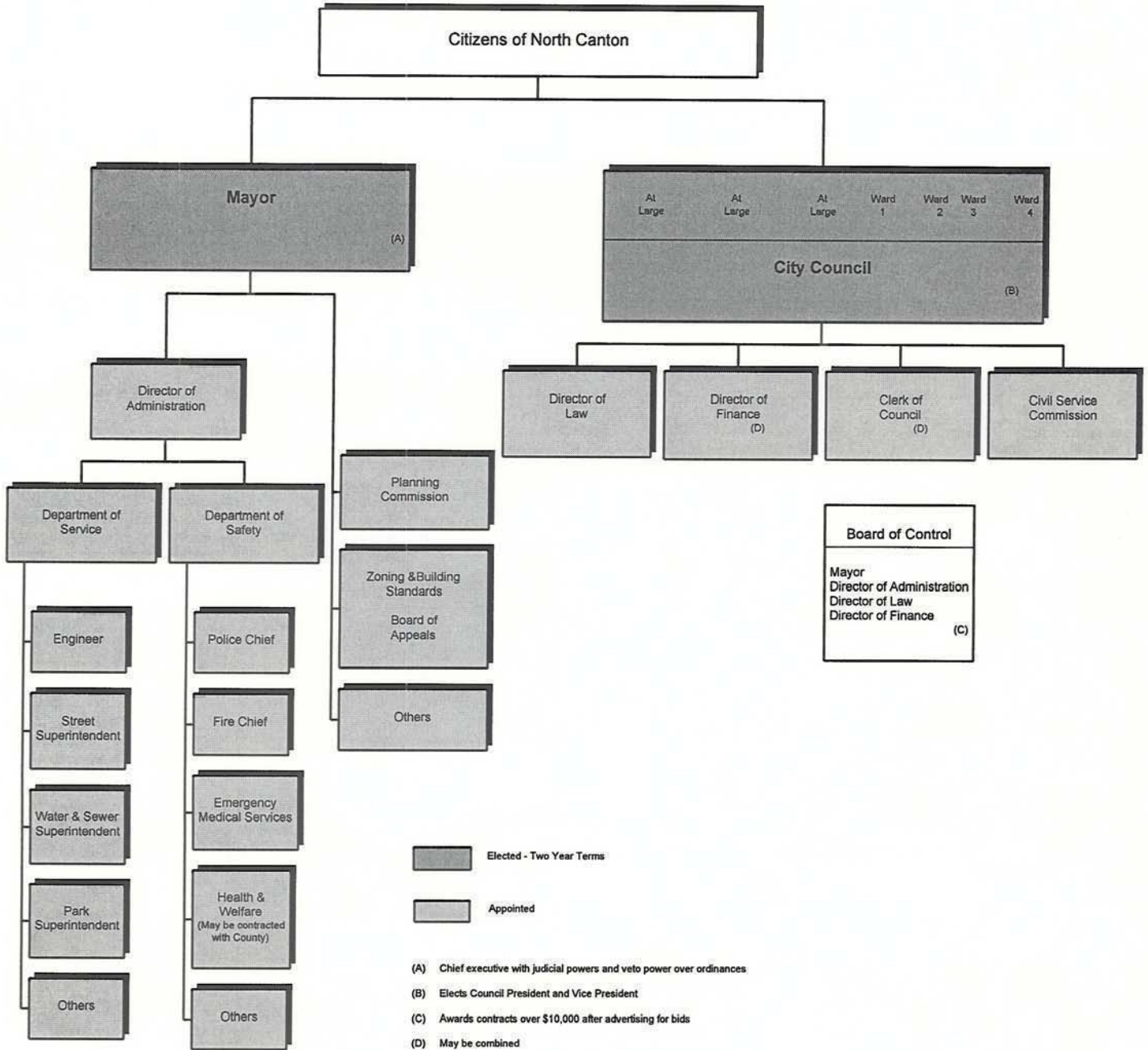
Jeffrey R. Emer

Executive Director

The City of North Canton, Ohio

Charter Government

Organizational Chart



**CITY OF NORTH CANTON
LIST OF PRINCIPAL OFFICIALS
AS OF DECEMBER 31, 2004**

ELECTED CITY OFFICIALS

MAYOR

HONORABLE THOMAS E. RICE

CITY COUNCIL

JON SNYDER, PRESIDENT
WARD 4

MARCIA KIESLING, AT-LARGE

DANIEL J. PETERS, AT-LARGE

GREGORY SARBACH, AT-LARGE

DOUGLAS V. FOLTZ, WARD 1

DAVID LINDOWER, WARD 2

DOUG LANE, WARD 3

APPOINTED CITY OFFICIALS

DIRECTOR OF FINANCE

JULIE A. HERR

DIRECTOR OF ADMINISTRATION

MICHAEL L. MILLER

DIRECTOR OF LAW

PAUL J. PUSATERI

CLERK OF COUNCIL

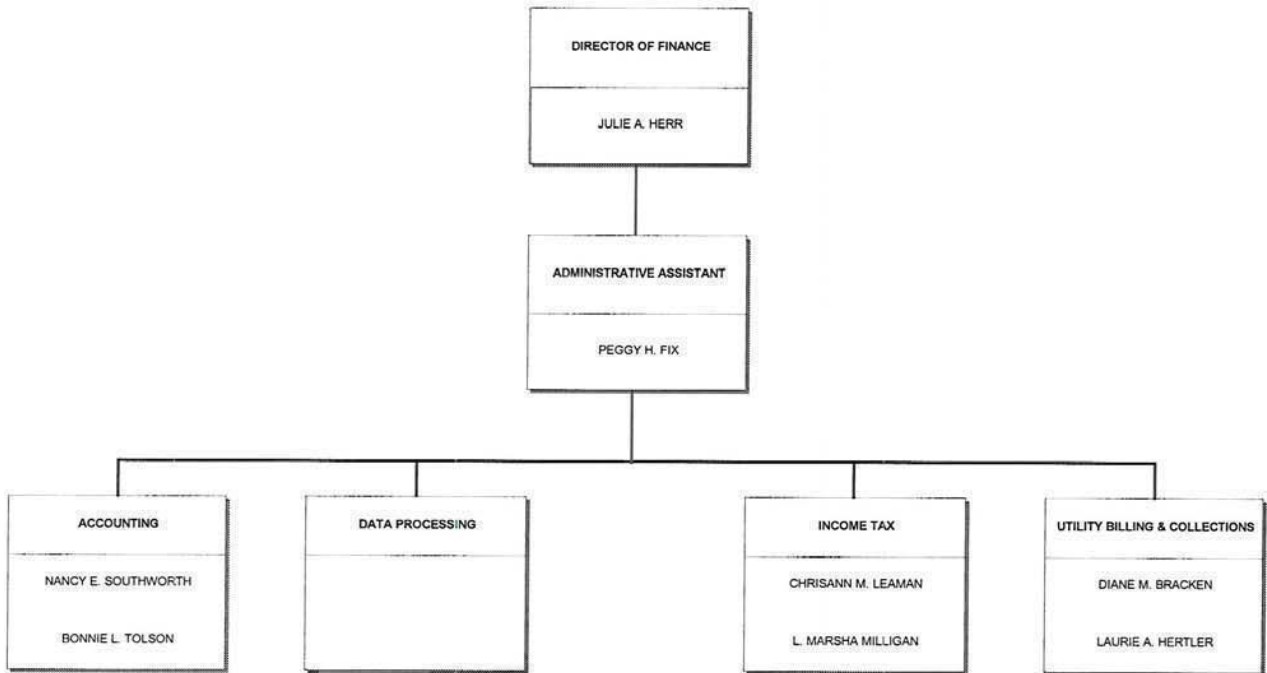
GAIL M. KALPAC

The City of North Canton, Ohio

Department of Finance

Organizational Chart

As of December 31, 2004



A black and white photograph of a wooden gazebo with a conical roof situated on a pond. The gazebo has a railing and is surrounded by trees and foliage. In the foreground, several ducks are swimming in the water. The text "Financial Section" is overlaid in the center of the image.

Financial Section



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of North Canton
Stark County
145 North Main Street
North Canton, Ohio 44720

To the Honorable Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Canton, Stark County, Ohio, (the City) as of and for the year ended December 31, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Canton, Stark County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Special Revenue 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 August 12, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining non-major fund statements and schedules and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining non-major fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, based on our audit, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the Introductory Section and Statistical Tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Betty Montgomery
Auditor of State

August 12, 2005

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The discussion and analysis for the City of North Canton's financial statements provides an overall review of the financial activity of the City for the twelve months ended December 31, 2004. The intent of this discussion is to provide a narrative which describes the City's performance as a whole. To obtain a more detailed understanding, one should also review the transmittal letter and the basic financial statements.

Financial Highlights

Financial highlights for 2004 are as follows:

- Total Net Assets increased \$496,431 from 2003. Net Assets of governmental activities decreased \$820,820 from 2003, a decrease of 2.6 percent. Net Assets of business-type activities increased \$1,317,251 over 2003, an increase of 6.1 percent.
- Total Assets of the City increased \$5,097,437 or 7.4 percent above the 2003 level.
- Total Liabilities of the City increased \$4,442,627. This is an increase of 28.8 percent from the previous year.
- Total Capital Assets increased \$7,739,044, an increase of 15.9 percent over 2003.
- Total Outstanding Debt increased \$5,381,876, an increase of 51.1 percent over 2003.

Using this Annual Financial Report

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

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2004 and how they affected the operations of the City as a whole.

Major Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City of North Canton as a Whole

Statement of Net Assets and Statement of Activities

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

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

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

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

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

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

Reporting on the Most Significant Funds of the City of North Canton

Fund Financial Statements

The analysis of the City's major funds begins on page 8. Fund financial reports give a detailed report of the activities within the funds. The City currently has twenty funds, as presented in this report. These funds are in existence to provide a multitude of services to the citizens of North Canton. Some funds provide for fire protection and for emergency medical service while others provide for streets, water service, and sewer service. There are funds that also provide for the purchase of capital assets and infrastructure. One provides health care for City employees. Each fund is in some ways an entity unto itself. Each fund has a designated revenue stream and restricted uses for the monies within the fund.

In this report, the focus is on six major funds, the General Fund, Street Construction, Maintenance and Repair Fund, the Capital Improvements Fund, the Water Fund, the Sewer Fund, and the Garbage Fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The City of North Canton as a Whole

The Statement of Net Assets provides an overall view of the City. Table one shows a summary of the City's net assets for 2004 as they compare to 2003.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$13,558,946	\$15,831,427	\$3,681,801	\$4,050,927	\$17,240,747	\$19,882,354
Capital Assets, Net	24,585,936	23,859,290	31,919,612	24,907,214	56,505,548	48,766,504
Total Assets	38,144,882	39,690,717	35,601,413	28,958,141	73,746,295	68,648,858
Liabilities						
Current and Other Liabilities	2,045,766	2,543,629	3,140,367	2,701,287	5,186,133	5,244,916
Long-Term Liabilities:						
Due Within One Year	1,819,838	2,358,888	149,371	123,555	1,969,209	2,482,443
Due in More than One Year	3,293,844	2,981,946	9,421,329	4,718,583	12,715,173	7,700,529
Total Liabilities	7,159,448	7,884,463	12,711,067	7,543,425	19,870,515	15,427,888
Net Assets						
Invested in Capital Assets, Net of Related Debt	22,785,936	21,759,290	19,996,103	18,627,920	42,782,039	40,387,210
Restricted:						
Capital Projects	1,560,922	2,246,120	0	0	1,560,922	2,246,120
Street Construction, Maintenance and Repair	280,980	305,021	0	0	280,980	305,021
Fire Operations	52,635	3,535	0	0	52,635	3,535
Emergency Medical Services	124,284	16,520	0	0	124,284	16,520
Computer	27,848	23,557	0	0	27,848	23,557
Storm Sewer	79,103	92,479	0	0	79,103	92,479
Donations for Supplies	30,354	30,181	0	0	30,354	30,181
Other Purposes	9,552	7,914	0	0	9,552	7,914
Unrestricted	6,033,820	7,321,637	2,894,243	2,945,175	8,928,063	10,266,812
Total Net Assets	\$30,985,434	\$31,806,254	\$22,890,346	\$21,573,095	\$53,875,780	\$53,379,349

Total assets increased in 2004 by \$5,097,437. This was the result of an increase in capital assets of \$7,739,044, offset by a decrease in current assets of \$2,641,607. Total assets from business type activities increased by \$6,643,272, of which \$7,012,398 was due to an increase in capital assets offset by a small decrease in current assets. Capital assets increased as a result of major improvements and upgrades to the City's Water Treatment Plant, the expansion of the Water Treatment Plant, as well as one of the City's water towers. The remainder of the increase in capital assets is due to new and replacement waterline and sewerline projects.

Total liabilities increased by \$4,442,627 in 2004. Total liabilities of governmental activities decreased by \$725,015, while liabilities of business-type activities increased by \$5,167,642. The increase in liabilities of business-type activities is attributed to long term debt the City assumed to fund the improvements to and expansion of the Water Treatment Plant.

Total net assets increased by \$496,431. This is a result of an increase in total assets offset by a smaller increase in total liabilities.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 2 shows the changes in net assets for the year ended December 31, 2004 for both our Governmental activities and our Business-Type activities.

Table 2
Changes in Net Assets

	Governmental		Business-Type		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program Revenues:						
Charges for Services	\$833,365	\$725,523	\$6,409,975	\$6,052,914	\$7,243,340	\$6,778,437
Operating Grants and Contributions	532,454	555,201	60,000	60,000	592,454	615,201
Capital Grants	200,034	170,000	867,300	929,336	1,067,334	1,099,336
General Revenues:						
Property Taxes	1,264,521	1,235,911	0	0	1,264,521	1,235,911
Municipal Income Taxes	6,072,113	5,545,734	0	0	6,072,113	5,545,734
Grants and Entitlements	1,405,706	1,011,055	0	0	1,405,706	1,011,055
Interest	190,782	201,285	5,317	4,951	196,099	206,236
Other	137,593	65,061	89,178	31,534	226,771	96,595
Total Revenues	10,636,568	9,509,770	7,431,770	7,078,735	18,068,338	16,588,505
Program Expenses						
General Government	2,320,121	1,730,184	0	0	2,320,121	1,730,184
Security of Persons and Property						
Police	2,989,872	2,731,740	0	0	2,989,872	2,731,740
Fire	698,556	619,487	0	0	698,556	619,487
Other	0	114,293	0	0	0	114,293
Public Health and Welfare	1,265,192	1,216,486	0	0	1,265,192	1,216,486
Transportation	2,406,573	3,791,505	0	0	2,406,573	3,791,505
Community Environment	312,279	302,185	0	0	312,279	302,185
Leisure Time Activities	1,100,428	1,086,524	0	0	1,100,428	1,086,524
Basic Utility Services	323,784	408,540	0	0	323,784	408,540
Interest and Fiscal Charges	40,583	13,344	0	0	40,583	13,344
Water	0	0	3,417,874	3,744,092	3,417,874	3,744,092
Sewer	0	0	2,124,674	1,858,450	2,124,674	1,858,450
Garbage	0	0	571,971	605,023	571,971	605,023
Total Expenses	11,457,388	12,014,288	6,114,519	6,207,565	17,571,907	18,221,853
<i>Increase(Decrease) in Net Assets</i>	(820,820)	(2,504,518)	1,317,251	871,170	496,431	(1,633,348)
Net Assets Beginning of Year	31,806,254	34,310,772	21,573,095	20,701,925	53,379,349	55,012,697
Net Assets End of Year	\$30,985,434	\$31,806,254	\$22,890,346	\$21,573,095	\$53,875,780	\$53,379,349

Governmental Activities

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

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The City's income tax was established to be effective January 1, 1956 at a rate of 0.6 percent. This rate was later increased to 1.0 percent effective January 1, 1963 and further increased to 1.5 percent effective February 22, 1971. It is at this level currently. The City also allows a 100 percent credit of taxes paid to other municipalities, up to the entire amount of the tax. On a full accrual basis, the City received income tax revenues of \$6,072,113. According to the City's Income Tax Ordinance, at a minimum, the first 1.0 percent shall be allocated to provide funds for the purpose of general municipal operations, including maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements. After paying all costs associated with the income tax, the balance of the 1.0 percent is allocated as follows: 0.30 percent to the capital improvement fund and 0.70 percent to the general fund to be spent on general operating purposes as the City sees fit. The remaining 0.5 percent shall be allocated for the payment of debt service on bonds outstanding as of January 1, 1984 and to the extent not so appropriated, for general municipal operations and capital improvements as determined by Council. Historically, the City has transferred up to 50 percent of income tax revenues to the permanent improvement fund. This has made it possible for the City to fund numerous capital improvements without issuing debt.

The operations of the City's police department and street maintenance and repairs account for the largest expenses of the governmental activities, representing approximately 26 percent and 21 percent, respectively, of the total governmental activities expenses. Transportation expenses decreased from 2003 approximately \$1.3 million due to the City resurfacing several streets in 2003, but not capitalizing the costs. The City's police department is a full-time 24-hours a day, 365-days a year department, with a full-time chief, 6 lieutenants, and 18 patrolmen.

During 2004, the City operated a fire department with a full-time Chief, three full-time fire inspectors/fire-fighters, and 25 part-time fire-fighters. The fire department, which is accounted for in a separate fund, receives a 0.5 mill property tax levy. The remaining amount needed to operate the department is subsidized by the general fund.

The City also operates an emergency medical services (EMS) department, which is a division of the Fire Department and is under the direction of the Chief of Fire and EMS. The department has nine full-time paramedic/EMT's, three of whom are Captains. The remainder of the staffing needs is met by 25 part-time personnel. The EMS department is also accounted for in a separate fund which receives a 1.0 mill property tax levy. Additional funding is derived by billing for transports provided to non-residents of the City. In 2004, this was expanded to include billing for residents as well, only up to the amount covered by insurance. These revenues, which amounted to \$233,047 in 2004, are reported under charges for services. The EMS department is also subsidized by the general fund.

Business-Type Activities

The City operates a Utility Department that is comprised of water, sewer and garbage services. The largest is the water utility, which includes water administration, a water treatment plant, and water distribution.

The water utility services 8,540 customers, of which, 6,114 are located inside the City, and 2,426 are located outside the City. The City's water rate for inside residential customers starts at \$2.84 per thousand gallons, while rates for outside residential customers start at \$5.68 per thousand gallons.

The City's water treatment plant treats an average of 3.5 million gallons of water per day with a capacity to treat an additional 2.5 million gallons per day. The raw water is supplied by seven wells throughout the City. The water treatment plant was built in 1971. The construction of improvements and upgrades to the plant began in 2003 and continued throughout 2004. The total project cost is estimated at approximately \$7.2

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

million. Construction of the expansion of the water treatment plant began construction in 2004. This expansion will increase the capacity of the plant to 8.7 million gallons per day. The estimated cost of the expansion project is \$4.2 million. In 2004, the City was awarded a U.S. EPA grant in the amount of \$867,300 to partially fund this project.

The City contracts with the City of Canton to provide sewer treatment services. The City does own and maintain sewer lines throughout the City. The City has 6,175 sewer customers. Residential customers pay a flat sewer fee of \$18.00 per month while business customers pay a minimum rate of \$12.60 for 5,000 gallons and then \$2.52 for each additional 1,000 gallons.

The City also operates a garbage utility. The City acts as an agent between the successful bidder for pickup service and City customers in addition to billing and collection garbage fees.

The revenues and expenses for these three utilities are reported under the Business Type Activities on Table 2. The revenues come primarily from charges for services. In 2004, charges for services of \$6,409,975 accounted for 86 percent of the revenues. The total expenses for the utilities were \$6,114,519. Revenues exceeded expenses by \$1,317,251 for the Business-Type Activities.

The City's Funds

Information about the City's governmental funds begins on page 16. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$10,608,476 and expenditures of \$12,050,440. The general fund had revenues of \$8,959,833 and expenditures of \$5,998,897. The street construction, maintenance and repair fund had revenues of \$522,812 and expenditure of \$1,037,379 while the capital improvements fund had revenues of \$88,218 and expenditures of \$2,873,416. This fund also had a transfer in of \$2,100,000 to cover expenditures.

The City's general fund reflected an increase in fund balance of \$865,936. Overall, the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

Information about the City's business-type funds begins on page 22. These funds are accounted for on an accrual basis. The water fund had operating revenues of \$3,982,269 which exceeded operating expenses of \$3,158,861. The sewer fund had operating revenues of \$1,963,878 and expenses of \$2,123,027. The garbage fund had operating revenues of \$553,006 and operating expenses of \$571,971.

Budgeting Highlights

The City's budget is prepared according to the laws of the State of Ohio and is based on accounting for certain transactions on a cash basis for receipts, expenditures, and encumbrances. The most significant budgeted fund is the general fund. The legal level of control is at the fund level. Any budgetary modifications at this level may only be made by ordinance of City Council. During 2004 there were three supplemental appropriations passed by City Council. Administrative control of the budget is maintained through the establishment of detailed line-item budgets. Intra-fund transfers within existing appropriations are permitted after approval from the Finance Committee of Council.

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

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

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

For the general fund, original and final budgeted revenues were \$7,092,893 and \$8,326,295 and actual revenue collections were \$8,971,061. The majority of the increase in actual revenue over the original and final budgeted amounts is from estate taxes and income taxes. Original and final budgeted expenditures were \$8,936,561 and \$8,886,626 while actual expenditures were \$8,334,769. The City's ending unencumbered cash balance in the general fund was \$1,196,623 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$5,078,867	\$4,418,867	\$594,842	\$602,367	\$5,673,709	\$5,021,234
Construction in Progress	219,855	0	10,363,784	4,854,368	10,583,639	4,854,368
Buildings	3,031,163	3,213,442	3,322,364	2,566,584	6,353,527	5,780,026
Land Improvements	635,258	659,298	129,774	129,774	765,032	789,072
Equipment	2,094,472	1,969,790	980,351	1,008,869	3,074,823	2,978,659
Infrastructure						
Streets	9,106,425	9,197,300	0	0	9,106,425	9,197,300
Water Lines	0	0	11,722,832	11,121,505	11,722,832	11,121,505
Storm Sewers	4,329,689	4,304,644	0	0	4,329,689	4,304,644
Sewer Lines	0	0	4,805,665	4,623,747	4,805,665	4,623,747
Bridges	90,207	95,949	0	0	90,207	95,949
<i>Totals</i>	<u>\$24,585,936</u>	<u>\$23,859,290</u>	<u>\$31,919,612</u>	<u>\$24,907,214</u>	<u>\$56,505,548</u>	<u>48,766,504</u>

Total Capital Assets for the City of North Canton for the year ended December 31, 2004 was \$56,505,548 which is an increase of \$7,739,044 over the 2003 figure of \$48,766,504. The majority of this increase was due to projects under the business-type activities. Several projects have been added as Construction in Progress in 2004, including on-going upgrades and improvements to the water treatment plant, the construction of the water treatment plant expansion, improvements to one of the City's two water towers, and the installation of a raw waterline. See Note 13 in the financial statements for more information regarding the City's capital assets.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Debt

The outstanding debt for the City of North Canton as of December 31, 2004 was \$15,913,250. This balance reflects an increase of \$5,381,876 from the previous year's balance of \$10,531,374, an increase of 51.1 percent.

Table 4
 Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Settlement Agreement Payable	\$2,058,315	\$2,058,315	0	0	\$2,058,315	\$2,058,315
Notes Payable	1,800,000	2,100,000	2,850,000	1,875,000	4,650,000	3,975,000
OWDA Payable	0	0	9,204,935	4,498,059	9,204,935	4,498,059
<i>Total</i>	<u>\$3,858,315</u>	<u>\$4,158,315</u>	<u>\$12,054,935</u>	<u>\$6,373,059</u>	<u>\$15,913,250</u>	<u>\$10,531,374</u>

The settlement agreement payable recorded in the governmental activities is for the income tax refund payable to Maytag Corporation. This agreement was revised in late 2004 to restructure the payout schedule. The revised agreement provides for three \$500,000 payments in 2005 with the remainder of \$558,315 due in January 2006.

In June 2004, the City issued \$1.8 million in taxable Real Estate Acquisition Notes for the purpose of paying off the \$2.1 million issued for the purchase of the property known as Arrowhead Country Club. These notes were issued at a rate of 3.0 percent and mature June 29, 2005. These notes were "purchased" by the City to be maintained in the City's investment portfolio.

The OWDA debt under the business type activities is the combination of three separate loans, all administered by the Ohio Water Development Authority (OWDA). The first OWDA loan is for the construction of a \$1.0 million water storage facility. The loan is to be repaid through user fees over a 10 year period and will be paid off in 2010. The second OWDA loan is for the construction of improvements to the water treatment plant which began in 2003. This loan is to be paid over twenty years with the first payment expected to be made in 2005. The third OWDA loan is for the expansion of the water treatment plant. This loan payment schedule is not yet finalized. See Notes 19 and 20 for more information.

Current Financial Issues

The City of North Canton remains financially strong, even through the economic downturn of the last few years, as well as the recent downsizing of the City's largest employer, the Hoover Company. Over the last ten years, income tax collections have increased approximately 21 percent, or an average of almost 2.1 percent per year. As up to fifty percent of our income tax collections have been directed to capital improvements, the City has been able to accomplish numerous street improvement projects, including two phases of our Main Street Streetscape project, without incurring debt.

The City continues to seek ways to spur economic development in the City. One such endeavor is the creation of a second Community Reinvestment Area (CRA) located in the Northwest section of the City. The CRA program, which is administered by the Ohio Department of Development, offers property tax abatements on improvements to existing buildings or on new construction for the purpose of promoting economic development. During 2004, one CRA abatement agreement was approved within this newly created CRA. In addition, City Council also approved the seventh CRA abatement agreement under the City's original Main Street CRA.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Another economic development effort undertaken in 2004 was the establishment of the full-time position of Economic Development Director. The search for a candidate to fill this position was put on hold in 2004 but was back underway in 2005. It is the goal of the City's administration to have the position filled by July of 2005.

During 2004, City Administration, with the support of City Council, hired an engineering firm to complete a thorough water rate study, taking into account short-term obligations and projects as well as long-term objectives and goals of the water system. The result of the water rate study was a five year water rate increase implementation schedule. City Council passed legislation approving the five-year schedule. The first year increase is effective February 2005.

In late 2004, the City entered into an agreement with the Akron-Canton Regional Airport to provide water service to the airport and its lessees. According to the agreement, the City will contribute \$80,000 toward the Airport's cost of the construction of necessary waterlines and connections. This is expected to be the first of many opportunities for expansion of the City's water system in the near future.

Also during 2004, the City continued to investigate other mechanisms to generate revenue. One result was the City's decision to charge ambulance transport fees to residents, limited to the amount covered by insurance. This is in addition to the non-residents it already charged for transports. The billing of residents began in June of 2004. This change in billing policy resulted in approximately \$135,000 in additional revenue in 2004. This additional revenue will help lessen the burden on the City's general fund.

The City was awarded a special appropriations grant from the U.S. EPA in the amount of \$867,300 in March 2004. This grant is to be used to fund a portion of the costs for the City's water treatment plant expansion. All but approximately \$17,000 of the \$867,300 grant was received in 2004.

During 2004, the voters of North Canton approved two replacement property tax levies for the purpose of funding street improvements and storm sewer improvements in the amount of 1.0 mill each. These two levies are expected to bring in an additional \$546,000 in property tax revenues. Whereas a renewal levy continues to collect revenue at the same level as in the previous year with no increase in tax for voters, a replacement levy replaces the effective rate with the full rate which allows more revenues to be collected. These levies, which will begin to be collected in 2006, will help lessen the burden of funding capital projects with income tax funds.

The City of North Canton has committed itself to financial excellence. We reported under the GASB Statement 34 reporting requirements earlier than required and are also preparing our seventeenth Comprehensive Annual Financial Report. We will be submitting our 2004 CAFR for the Government Finance Officers Certificate of Achievement for Excellence in Financial Reporting.

Contacting the City's Finance Department

This report is intended to provide our citizens and anyone interested in the financial aspects of the City of North Canton a general overview of our financial operation. If there are any questions, please contact the Finance Director, Julie A. Herr, City of North Canton, 145 North Main Street, North Canton, Ohio 44720, telephone 330-499-3466 or visit the City's website at www.northcantonohio.com.

BASIC FINANCIAL

STATEMENTS

City of North Canton, Ohio

Statement of Net Assets

December 31, 2004

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and Cash Equivalents	\$8,205,283	\$2,592,158	\$10,797,441
Cash and Cash Equivalents In Segregated Accounts	32,592	0	32,592
Investments	1,800,000	0	1,800,000
Materials and Supplies Inventory	70,903	29,426	100,329
Accrued Interest Receivable	96,684	0	96,684
Accounts Receivable	130,789	777,537	908,326
Intergovernmental Receivable	902,146	17,810	919,956
Prepaid Items	32,416	13,066	45,482
Property Taxes Receivable	1,310,754	0	1,310,754
Municipal Income Taxes Receivable	992,967	0	992,967
Special Assessment Receivable	1,880	102,910	104,790
Internal Balances	(17,468)	17,468	0
Deferred Charges	0	131,426	131,426
Nondepreciable Capital Assets	5,298,722	10,958,626	16,257,348
Depreciable Capital Assets, Net	19,287,214	20,960,986	40,248,200
<i>Total Assets</i>	<u>38,144,882</u>	<u>35,601,413</u>	<u>73,746,295</u>
Liabilities			
Accounts Payable	82,632	12,433	95,065
Contracts Payable	35,571	81,584	117,155
Accrued Wages	89,221	16,930	106,151
Matured Compensated Absences Payable	20,796	0	20,796
Intergovernmental Payable	380,699	119,142	499,841
Deferred Revenue	1,299,209	0	1,299,209
Claims Payable	109,888	0	109,888
Accrued Interest Payable	27,750	60,278	88,028
Notes Payable	0	2,850,000	2,850,000
Long-Term Liabilities:			
Due Within One Year	1,819,838	149,371	1,969,209
Due In More Than One Year	3,293,844	9,421,329	12,715,173
<i>Total Liabilities</i>	<u>7,159,448</u>	<u>12,711,067</u>	<u>19,870,515</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	22,785,936	19,996,103	42,782,039
Restricted for:			
Capital Projects	1,560,922	0	1,560,922
Street Construction, Maintenance and Repair	280,980	0	280,980
Fire Operations	52,635	0	52,635
Emergency Medical Services	124,284	0	124,284
Computer Systems	27,848	0	27,848
Storm Sewer	79,103	0	79,103
Donations for Supplies	30,354	0	30,354
Other Purposes	9,552	0	9,552
Unrestricted	6,033,820	2,894,243	8,928,063
<i>Total Net Assets</i>	<u>\$30,985,434</u>	<u>\$22,890,346</u>	<u>\$53,875,780</u>

See accompanying notes to the basic financial statements

City of North Canton, Ohio
Statement of Activities
For the Year Ended December 31, 2003

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities				
General Government	\$2,320,121	\$173,109	\$0	\$0
Security of Persons and Property				
Police	2,989,872	8,136	18,595	0
Fire	698,556	0	3,043	46,019
Public Health and Welfare	1,265,192	233,047	10,699	0
Transportation	2,406,573	0	500,117	154,015
Community Environment	312,279	108,151	0	0
Leisure Time Activities	1,100,428	310,922	0	0
Basic Utility Services	323,784	0	0	0
Interest and Fiscal Charges	40,583	0	0	0
Total Governmental Activities	11,457,388	833,365	532,454	200,034
				0
Business-Type Activities				
Water	3,417,874	3,893,098	0	867,300
Sewer	2,124,674	1,963,871	0	0
Garbage	571,971	553,006	60,000	0
Total Business-Type Activities	6,114,519	6,409,975	60,000	867,300
Totals	\$17,571,907	\$7,243,340	\$592,454	\$1,067,334

General Revenues
Property Taxes Levied for:
 General Purposes
 Fire Operating Levy
 Emergency Medical Services Levy
 Storm Sewer Levy
 Street Levy
Municipal Income Taxes Levied for
 General Purposes
Grants and Entitlements not Restricted
 to Specific Programs
Interest
Other

Total General Revenues

Change in Net Assets

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

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activity	Total
(\$2,147,012)	\$0	(\$2,147,012)
(2,963,141)	0	(2,963,141)
(649,494)	0	(649,494)
(1,021,446)	-	(1,021,446)
(1,752,441)	0	(1,752,441)
(204,128)	0	(204,128)
(789,506)	0	(789,506)
(323,784)	0	(323,784)
(40,583)	0	(40,583)
<u>(9,891,535)</u>	<u>0</u>	<u>(9,891,535)</u>
0	1,342,524	1,342,524
0	(160,803)	(160,803)
0	41,035	41,035
<u>0</u>	<u>1,222,756</u>	<u>1,222,756</u>
<u>(9,891,535)</u>	<u>1,222,756</u>	<u>(8,668,779)</u>
791,294	0	791,294
94,888	0	94,888
173,177	0	173,177
102,581	0	102,581
102,581	0	102,581
6,072,113	0	6,072,113
1,405,706	0	1,405,706
190,782	5,317	196,099
137,593	89,178	226,771
<u>9,070,715</u>	<u>94,495</u>	<u>9,165,210</u>
(820,820)	1,317,251	496,431
<u>31,806,254</u>	<u>21,573,095</u>	<u>53,379,349</u>
<u>\$30,985,434</u>	<u>\$22,890,346</u>	<u>\$53,875,780</u>

City of North Canton, Ohio

Balance Sheet

Governmental Funds

December 31, 2004

	General	Street Construction, Maintenance and Repair	Capital Improvements
Assets			
Equity in Pooled Cash and			
Cash Equivalents	\$5,695,295	\$128,265	\$1,811,685
Cash and Cash Equivalents in Segregated Accounts	0	0	0
Investments	1,800,000	0	0
Materials and Supplies Inventory	14,608	53,101	0
Accrued Interest Receivable	96,684	0	0
Accounts Receivable	1,850	0	0
Intergovernmental Receivable	581,548	261,601	0
Prepaid Items	17,862	4,827	0
Property Taxes Receivable	821,277	0	0
Municipal Income Taxes Receivable	992,967	0	0
Special Assessment Receivable	1,880	0	0
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$10,023,971</u>	<u>\$447,794</u>	<u>\$1,811,685</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$27,928	\$21,009	\$29,094
Contracts Payable	0	0	34,471
Accrued Wages	40,404	7,011	0
Matured Compensated Absences Payable	20,796	0	0
Intergovernmental Payable	149,559	14,400	187,198
Deferred Revenue	1,479,563	215,099	0
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	<u>1,718,250</u>	<u>257,519</u>	<u>250,763</u>
 Fund Balances			
Reserved for Encumbrances	58,705	2,461	348,495
Unreserved:			
Undesignated, Reported in:			
General Fund	8,247,016	0	0
Special Revenue Funds	0	187,814	0
Capital Projects Fund	0	0	1,212,427
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>8,305,721</u>	<u>190,275</u>	<u>1,560,922</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,023,971</u>	<u>\$447,794</u>	<u>\$1,811,685</u>

See accompanying notes to the basic financial statements

City of North Canton, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004*

Other Governmental Funds	Total Governmental Funds
\$383,202	\$8,018,447
32,592	32,592
0	1,800,000
3,194	70,903
0	96,684
128,939	130,789
58,997	902,146
9,727	32,416
489,477	1,310,754
0	992,967
0	1,880
<u>\$1,106,128</u>	<u>\$13,389,578</u>
\$4,601	\$82,632
1,100	35,571
41,806	89,221
0	20,796
29,542	380,699
548,139	2,242,801
<u>625,188</u>	<u>2,851,720</u>
14,131	423,792
0	8,247,016
466,809	654,623
0	1,212,427
<u>480,940</u>	<u>10,537,858</u>
<u>\$1,106,128</u>	<u>\$13,389,578</u>

Total Governmental Fund Balances	\$10,537,858
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	24,585,936
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Delinquent Property Taxes	11,545
Investment Income	48,200
Intergovernmental	707,247
Special Assessment	1,880
Municipal Income Taxes	<u>174,720</u>
Total	943,592
Long-term liabilities, including compensated absences and settlement agreement payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(1,255,367)
Notes Payable	(1,800,000)
Settlement Agreement Payable	<u>(2,058,315)</u>
Total	(5,113,682)
In the statement of activities, interest is accrued on outstanding long-term notes, whereas in governmental funds, an interest expenditures is reported when due.	
Accrued Interest Payable	(27,750)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	76,948
An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.	<u>(17,468)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$30,985,434</u></u>

City of North Canton, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Street Construction, Maintenance and Repair	Capital Improvements	Other Governmental Funds
Revenues				
Property and Other Taxes	\$792,102	\$0	\$0	\$474,266
Municipal Income Taxes	6,039,704	0	0	0
Charges for Services	310,922	0	0	0
Licenses and Permits	108,151	0	0	0
Fines and Forfeitures	64,803	0	0	114,562
Intergovernmental	1,373,068	518,794	74,015	205,168
Interest	162,281	0	0	0
Ambulance Fees	0	0	0	233,047
Other	108,802	4,018	14,203	10,570
<i>Total Revenues</i>	<u>8,959,833</u>	<u>522,812</u>	<u>88,218</u>	<u>1,037,613</u>
Expenditures				
Current:				
General Government	1,864,336	0	0	121,368
Security of Persons and Property:				
Police	2,766,519	0	0	7,276
Fire	0	0	0	527,577
Public Health and Welfare	84,626	0	0	1,106,808
Transportation	0	1,037,379	0	247,681
Community Environment	323,573	0	0	0
Leisure Time Activities	947,010	0	0	0
Basic Utility Services	0	0	0	130,038
Capital Outlay	0	0	2,873,416	0
Debt Service:				
Interest and Fiscal Charges	12,833	0	0	0
<i>Total Expenditures</i>	<u>5,998,897</u>	<u>1,037,379</u>	<u>2,873,416</u>	<u>2,140,748</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,960,936</u>	<u>(514,567)</u>	<u>(2,785,198)</u>	<u>(1,103,135)</u>
Other Financing Sources (Uses)				
Notes Issued	1,800,000	0	0	0
Transfers In	0	570,000	2,100,000	1,225,000
Transfers Out	(3,895,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,095,000)</u>	<u>570,000</u>	<u>2,100,000</u>	<u>1,225,000</u>
<i>Net Change in Fund Balances</i>	865,936	55,433	(685,198)	121,865
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>7,439,785</u>	<u>134,842</u>	<u>2,246,120</u>	<u>359,075</u>
<i>Fund Balances End of Year</i>	<u><u>\$8,305,721</u></u>	<u><u>\$190,275</u></u>	<u><u>\$1,560,922</u></u>	<u><u>\$480,940</u></u>

See accompanying notes to the basic financial statements

City of North Canton, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004*

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City of North Canton, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Taxes	\$821,356	\$732,356	\$792,102	\$59,746
Municipal Income Taxes	5,350,000	5,621,000	6,010,365	389,365
Charges for Services	90,000	317,500	310,922	(6,578)
Licenses and Permits	110,000	110,000	108,151	(1,849)
Fines and Forfeitures	57,305	63,000	64,803	1,803
Intergovernmental	464,232	1,085,939	1,369,861	283,922
Interest	150,000	300,000	206,055	(93,945)
Other	50,000	96,500	108,802	12,302
<i>Total Revenues</i>	<u>7,092,893</u>	<u>8,326,295</u>	<u>8,971,061</u>	<u>644,766</u>
Expenditures				
Current:				
General Government	2,237,853	2,208,913	1,950,985	257,928
Security of Persons and Property:				
Police	2,849,939	2,916,998	2,867,975	49,023
Public Health and Welfare	81,200	84,626	84,626	0
Transportation	100,000	14,500	0	14,500
Community Environment	498,150	467,350	338,497	128,853
Leisure Time Activities	1,043,169	1,067,989	966,509	101,480
Debt Service:				
Principal Retirement	2,100,000	2,100,000	2,100,000	0
Interest and Fiscal Charges	26,250	26,250	26,177	73
<i>Total Expenditures</i>	<u>8,936,561</u>	<u>8,886,626</u>	<u>8,334,769</u>	<u>551,857</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,843,668)</u>	<u>(560,331)</u>	<u>636,292</u>	<u>1,196,623</u>
Other Financing Sources (Uses)				
Notes Issued	1,800,000	1,800,000	1,800,000	0
Transfers Out	(4,195,000)	(3,895,000)	(3,895,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,395,000)</u>	<u>(2,095,000)</u>	<u>(2,095,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(4,238,668)	(2,655,331)	(1,458,708)	1,196,623
<i>Fund Balance Beginning of Year</i>	8,953,839	8,953,839	8,953,839	0
Prior Year Encumbrances Appropriated	44,386	44,386	44,386	0
<i>Fund Balance End of Year</i>	<u>\$4,759,557</u>	<u>\$6,342,894</u>	<u>\$7,539,517</u>	<u>\$1,196,623</u>

See accompanying notes to the basic financial statements

City of North Canton
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$530,000	\$520,000	\$521,199	\$1,199
Other	0	0	4,018	4,018
<i>Total Revenues</i>	530,000	520,000	525,217	5,217
Expenditures				
Current:				
Transportation	1,114,585	1,114,585	1,077,710	36,875
<i>Excess of Revenues Under Expenditures</i>	(584,585)	(594,585)	(552,493)	42,092
Other Financing Sources				
Transfers In	570,000	570,000	570,000	0
<i>Net Change in Fund Balance</i>	(14,585)	(24,585)	17,507	42,092
<i>Fund Balance Beginning of Year</i>	87,288	87,288	87,288	0
<i>Fund Balance End of Year</i>	<u>\$72,703</u>	<u>\$62,703</u>	<u>\$104,795</u>	<u>\$42,092</u>

See accompanying notes to the basic financial statements

City of North Canton, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2004

	Business-Type Activities - Enterprise		
	Water	Sewer	Garbage
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$1,504,630	\$851,362	\$236,166
Accounts Receivable	606,528	168,669	2,340
Intergovernmental Receivable	17,810	0	0
Materials and Supplies Inventory	29,426	0	0
Special Assessment Receivable	1,779	101,131	0
Prepaid Items	10,742	2,324	0
<i>Total Current Assets</i>	<u>2,170,915</u>	<u>1,123,486</u>	<u>238,506</u>
<i>Noncurrent Assets:</i>			
Deferred Charges	131,426	0	0
Nondepreciable Capital Assets	10,958,626	0	0
Depreciable Capital Assets, Net	15,889,316	5,071,670	0
<i>Total Noncurrent Assets</i>	<u>26,979,368</u>	<u>5,071,670</u>	<u>0</u>
<i>Total Assets</i>	<u>29,150,283</u>	<u>6,195,156</u>	<u>238,506</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	10,181	0	2,252
Contract Payable	23,339	17,489	40,756
Accrued Wages and Benefits	14,855	2,075	0
Compensated Absences Payable	31,167	22,878	0
Intergovernmental Payable	26,671	92,162	309
Accrued Interest Payable	60,278	0	0
Notes Payable	2,850,000	0	0
OWDA Loan Payable	95,326	0	0
Claims Payable	0	0	0
<i>Total Current Liabilities</i>	<u>3,111,817</u>	<u>134,604</u>	<u>43,317</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences	276,417	35,303	0
OWDA Loan Payable	9,109,609	0	0
<i>Total Long-Term Liabilities</i>	<u>9,386,026</u>	<u>35,303</u>	<u>0</u>
<i>Total Liabilities</i>	<u>12,497,843</u>	<u>169,907</u>	<u>43,317</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	14,924,433	5,071,670	0
Unrestricted	1,728,007	953,579	195,189
<i>Total Net Assets</i>	<u>\$16,652,440</u>	<u>\$6,025,249</u>	<u>\$195,189</u>

Some amounts reported for business-type activities in the statement of net assets are different because they include accumulated overpayments to the internal service fund.

Net assets of business-type activities

See accompanying notes to the basic financial statements

Funds	Governmental Activities - Internal Service Fund
Total	Fund
\$2,592,158	\$186,836
777,537	0
17,810	0
29,426	0
102,910	0
13,066	0
3,532,907	186,836
131,426	0
10,958,626	0
20,960,986	0
32,051,038	0
35,583,945	186,836
12,433	0
81,584	0
16,930	0
54,045	0
119,142	0
60,278	0
2,850,000	0
95,326	0
0	109,888
3,289,738	109,888
311,720	0
9,109,609	0
9,421,329	0
12,711,067	109,888
19,996,103	0
2,876,775	76,948
22,872,878	\$76,948
17,468	
\$22,890,346	

City of North Canton, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004*

	Business-Type Activities - Enterprise		
	Water	Sewer	Garbage
Operating Revenues			
Charges for Services	\$3,801,011	\$1,759,106	\$553,006
Tap in Fees	92,087	90,150	0
Special Assessments	0	114,615	0
Other	89,171	7	0
<i>Total Operating Revenues</i>	<u>3,982,269</u>	<u>1,963,878</u>	<u>553,006</u>
Operating Expenses			
Personal Services	1,390,476	367,208	45,170
Contractual Services	652,251	1,464,997	526,266
Materials and Supplies	372,830	13,035	535
Depreciation	743,304	277,787	0
Claims	0	0	0
<i>Total Operating Expenses</i>	<u>3,158,861</u>	<u>2,123,027</u>	<u>571,971</u>
<i>Operating Income (Loss)</i>	<u>823,408</u>	<u>(159,149)</u>	<u>(18,965)</u>
Non-Operating Revenues (Expenses)			
Operating Grants	0	0	60,000
Interest and Fiscal Charges	(237,257)	0	0
Loss on Disposal of Capital Assets	(13,716)	0	0
Interest	5,317	0	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(245,656)</u>	<u>0</u>	<u>60,000</u>
<i>Income (Loss) Before Contributions</i>	577,752	(159,149)	41,035
Capital Contributions	867,300	0	0
<i>Change in Net Assets</i>	1,445,052	(159,149)	41,035
<i>Net Assets Beginning of Year</i>	<u>15,207,388</u>	<u>6,184,398</u>	<u>154,154</u>
<i>Net Assets End of Year</i>	<u>\$16,652,440</u>	<u>\$6,025,249</u>	<u>\$195,189</u>

Some amounts reported for business-type activities in the statement of activities are different because a portion of the net expense of the internal service fund is reported with business-type activities.

Change in net assets of business-type activities

See accompanying notes to the basic financial statements

<u>Funds</u>		Governmental Activities - Internal Service Fund
Total		Fund
\$6,113,123		\$981,957
182,237		0
114,615		0
89,178		2,508
6,499,153		984,465
1,802,854		0
2,643,514		111,046
386,400		0
1,021,091		0
0		916,102
5,853,859		1,027,148
645,294		(42,683)
60,000		0
(237,257)		0
(13,716)		0
5,317		0
(185,656)		0
459,638		(42,683)
867,300		0
1,326,938		(42,683)
		119,631
		\$76,948
(9,687)		
\$1,317,251		

City of North Canton, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Business-	
	Water	Sewer
Increase (Decreases) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$3,829,065	\$1,831,772
Cash Received from Interfund Services	0	0
Cash Received from Other Operating Sources	86,876	7
Cash Payments to Suppliers for Goods and Services	(1,059,449)	(1,484,394)
Cash Payments to Employees for Services and Benefits	(1,427,592)	(375,886)
Cash Payments for Claims	0	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,428,900</u>	<u>(28,501)</u>
Cash Flows from Noncapital Financing Activities		
Operating Grants Received	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Notes	2,850,000	0
Premium on Sale of Notes	5,025	0
Capital Grants Received	849,490	0
Payments for Capital Acquisitions	(3,298,821)	(407,070)
Payments for Debt Issuance Costs	(44,121)	0
Principal Payments - Notes	(1,875,000)	0
Principal Payments - OWDA Loan	(89,497)	0
Interest Payments - Notes	(45,185)	0
Interest Payments - OWDA Loan	(27,857)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,675,966)</u>	<u>(407,070)</u>
Cash Flows from Investing Activities		
Interest on Investments	<u>5,317</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(241,749)	(435,571)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,746,379</u>	<u>1,286,933</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,504,630</u></u>	<u><u>\$851,362</u></u>

<u>Type Activities - Enterprise Funds</u>		<u>Governmental Activities - Internal Service Fund</u>
<u>Garbage</u>	<u>Totals</u>	
\$552,911	\$6,213,748	\$0
0	0	981,957
0	86,883	2,508
(485,833)	(3,029,676)	(111,071)
(45,322)	(1,848,800)	0
0	0	(902,878)
<u>21,756</u>	<u>1,422,155</u>	<u>(29,484)</u>
<u>60,000</u>	<u>60,000</u>	<u>0</u>
0	2,850,000	0
0	5,025	0
0	849,490	0
0	(3,705,891)	0
0	(44,121)	0
0	(1,875,000)	0
0	(89,497)	0
0	(45,185)	0
0	(27,857)	0
<u>0</u>	<u>(2,083,036)</u>	<u>0</u>
<u>0</u>	<u>5,317</u>	<u>0</u>
81,756	(595,564)	(29,484)
<u>154,410</u>	<u>3,187,722</u>	<u>216,320</u>
<u>\$236,166</u>	<u>\$2,592,158</u>	<u>\$186,836</u>

(continued)

City of North Canton, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2004

	Business-	
	Water	Sewer
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
<i>Operating Income (Loss)</i>	\$823,408	(\$159,149)
<i>Adjustments:</i>		
Depreciation	743,304	277,787
(Increase)Decrease in Assets:		
Accounts Receivable	(64,549)	(30,968)
Special Assessment Receivable	(1,779)	(101,131)
Prepays	1,249	158
Materials and Supplies Inventory	16,461	0
Increase (Decrease) in Liabilities:		
Accounts Payable	2,047	(10,494)
Contracts Payable	261,947	2,689
Accrued Wages and Benefits	(48,367)	(9,536)
Compensated Absences Payable	19,153	2,533
Intergovernmental Payable	(7,974)	(390)
Settlement Agreement Payable	(316,000)	0
Claims Payable	0	0
<i>Total Adjustments</i>	605,492	130,648
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$1,428,900	(\$28,501)

Noncash Activities

The Water Fund received OWDA loan proceeds paid directly to contractors in the amount of \$4,314,314.
The Water Fund also received \$17,810 in capital grants.

See accompanying notes to the basic financial statements

<u>Type Activities - Enterprise Funds</u>		<u>Governmental Activities - Internal Service Fund</u>
<u>Garbage</u>	<u>Totals</u>	
<u>(\$18,965)</u>	<u>\$645,294</u>	<u>(\$42,683)</u>
0	1,021,091	0
(95)	(95,612)	0
0	(102,910)	0
0	1,407	0
0	16,461	0
212	(8,235)	(25)
40,756	305,392	0
0	(57,903)	0
0	21,686	0
(152)	(8,516)	0
0	(316,000)	
<u>0</u>	<u>0</u>	<u>13,224</u>
<u>40,721</u>	<u>776,861</u>	<u>13,199</u>
<u>\$21,756</u>	<u>\$1,422,155</u>	<u>(\$29,484)</u>

City of North Canton
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2004

Assets

Cash and Cash Equivalents in Segregated Accounts \$93,506

Liabilities

Deposits Held and Due to Others \$93,506

See accompanying notes to the basic financial statements

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 1 – Description of the City and Reporting Entity

The City was incorporated as a village in 1831 and became a city in 1962. The City of North Canton (“The City”) is a charter municipal corporation, incorporated under the laws of the State of Ohio. The City operates under a “Mayor-Administrator-Council” form of government. Elected officials include seven council members and a mayor.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of North Canton this includes police, fire, emergency medical service, parks and recreations, water and sewer service, rubbish collection, street construction, maintenance and repair, general administrative services, and a Mayor’s Court.

The Mayor is an elected official who has a fiduciary responsibility for the collection and disbursement of Mayor’s Court fees and fines. This activity has been included in the City’s financial statements as a special revenue fund.

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; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has one component unit.

Community Improvement Corporation (CIC) The City of North Canton Community Improvement Corporation was formed pursuant to Ordinance 103-80 passed October 28, 1980. The CIC was designated as the not-for-profit agency of the City for industrial, commercial, distribution and research development. Up until April 2005, the members of the CIC included the current Mayor, Director of Administration, Director of Law and Director of Finance. The membership of the CIC was expanded in April 2005 to include the President of Council, Chairperson of Council’s Community and Economic Development Committee, one additional member appointed by Council and two members appointed by the Mayor. The Director of Law was removed from the Board as he/she will act as the legal counsel for the CIC. The only action taken by the CIC occurred in 1980 when it was the conduit for industrial revenue bonds that were issued for St. Lukes Nursing Home. In 2005, the Mayor requested, and Council approved, the funding of the CIC by the City in the amount of \$1.5 million. This funding of the CIC, which is to take place over 15 years, is to assist the City’s economic development efforts by creating or retaining businesses and jobs. This potential funding of the CIC has been put on hold as a referendum petition has resulted in the issue being placed on the November ballot for voters to decide. There was no financial activity for 2004, therefore there will be no financial statements or notes to the financial statements.

The City participated in two jointly governed organizations, the Stark Council of Governments and the Stark County Combined General Health District. These organizations are described in Note 17 of the Basic Financial Statements.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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 program is self-financing or draws from the general revenues of the City.

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

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City's funds are classified as either governmental, proprietary or fiduciary.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of North Canton and/or the general laws of Ohio.

Street Construction, Maintenance and Repair Fund The street construction, maintenance and repair special revenue fund accounts for the portion of state gasoline tax and motor vehicle registration fees designated for the maintenance of the streets within the City.

Capital Improvements Capital Projects Fund The capital improvements capital projects fund accounts for various capital projects financed by the City income tax revenue.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

Water Fund This fund accounts for the treatment and provision of water to the residents and commercial users of the City and certain residents of the County.

Sewer Fund This fund accounts for the sanitary sewer services provided to the residents and commercial users of the City and certain residents of the County.

Garbage Fund This fund accounts the garbage service provided by a successful bidder for the residential users of the City.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's only internal service fund accounts for a self-insurance program for employee medical, hospitalization, dental, prescription drugs, and optical claims.

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

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

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

D. Basis of Accounting

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

Revenues - Exchange and 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 year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and rentals.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City treasury.

During fiscal year 2004, investments were limited to STAROhio, U.S. Government Agency Obligations, U.S. Treasury Obligations accounts, manuscript notes and repurchase agreements.

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.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$162,281, which includes \$62,820 assigned from other City funds.

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

H. 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 enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,500. 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 utilized by the enterprise funds is also capitalized.

All reported capital assets except land and construction in progress are depreciated. 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 or necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	20-50 years	20-50 years
Land Improvements	20 years	N/A
Equipment	10-15 years	3-15 years
Infrastructure	30-50 years	40 years

The City's infrastructure consists of a streets subsystem, a storm sewers subsystem, a bridge subsystem, and water and sewer lines including infrastructure acquired before December 31, 1980.

I. Interfund Balances

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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 funds 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 judgements, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

L. Fund Balance Reserve

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditures. As a result, encumbrances are recorded as a reservation of fund balance.

M. 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 government-wide statement of net assets reports \$2,165,678 of restricted net assets, of which \$176,919 is restricted by enabling legislation. Net assets restricted for other purposes includes monies for law enforcement and education and mayor's court.

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

N. 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 for sewer, water, garbage and recycling and self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the funds. All revenues and expenses not meeting these definitions are reported as non-operating.

O. Interfund Activity

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

Q. Estimates

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

R. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the Mayor's Court special revenue fund is not maintained because it is not included in the entity for which the "appropriated budget" is adopted. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the fund level for all funds. Budgetary modification may only be made by resolution of the City Council at the legal level of control. The Finance Director has been authorized to allocate appropriations to the department and object level within each fund. Budgetary statements are presented beyond that legal level of control for information purposes only.

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

Note 3 – Changes in Accounting Principles and Restatement of Net Assets/Fund Balance

For 2004, the City has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units” and GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

GASB Statement No. 46 clarifies how enabling legislation should be defined for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statements Nos. 39 and 46 did not affect the presentation of the financial statements of the City. The City had a fund reclassification and depreciation was overstated in the enterprise fund. The implementation of GASB Technical Bulletin No. 2004-2 and the previously listed adjustments had the following effect on the fund balances/net assets of the City as they were previously reported as of December 31, 2003.

	General	Street Construction Maintenance and Repair	Capital Improvements	Nonmajor	Totals
Fund Balances, December 31, 2003	\$7,527,228	\$140,734	\$2,246,120	\$356,188	\$10,270,270
Technical Bulletin No. 2004-2	(87,443)	(5,892)	0	(10,709)	(104,044)
Fund Reclassification	0	0	0	13,596	13,596
Adjusted Fund Balance, December 31, 2003	<u>\$7,439,785</u>	<u>\$134,842</u>	<u>\$2,246,120</u>	<u>\$359,075</u>	<u>\$10,179,822</u>

	Water Revenue	Sewer Revenue	Garbage Service	Total
Net Assets, December 31, 2003	\$15,074,194	\$6,065,424	\$154,154	\$21,293,772
Depreciation	133,194	118,974	0	252,168
Adjusted Net Assets, December 31, 2003	<u>\$15,207,388</u>	<u>\$6,184,398</u>	<u>\$154,154</u>	<u>\$21,545,940</u>

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Governmental Activities	Business-Type Activities
Net Assets, December 31, 2003	\$31,792,658	\$21,320,927
Overstatement of Depreciation	0	252,168
Fund Reclassification	13,596	0
Adjusted Net Assets, December 31, 2003	\$31,806,254	\$21,573,095

Note 4 – Compliance

Contrary to Ohio Revised Code Section 5705.39, the following fund had original appropriations in excess of certified available resources. These budgetary violations were corrected by year end.

Fund	Original Revenues Plus Carryover	Original Appropriations	Excess
Enterprise Fund			
Water Revenue Fund	\$11,176,379	\$15,837,453	\$4,661,074

Although the City did not comply with State law, the OWDA agreement requires the City to appropriate the entire project amount, even if project resources won't be available until future years.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Investments reported at fair value (GAAP) rather than cost (budget).
5. Proceeds from payments on short-term note obligations are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Net Change in Fund Balance
 General and Major Special Revenue Funds

	General	Street Construction, Maintenance and Repair
GAAP Basis	\$865,936	\$55,433
Adjustment for Revenue Accruals	127,814	2,405
Ending Fair Value Adjustment for Investments	(116,586)	0
Adjustment for Expenditure Accruals	(150,164)	(16,861)
Debt Service Principal Retirement	(2,100,000)	0
Debt Service Interest Expense	(13,344)	0
Adjustment for Encumbrances	(72,364)	(23,470)
Budget Basis	(\$1,458,708)	\$17,507

Note 6 - Deposits and Investments

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

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

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

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

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

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

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. Bond of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is not default of principal, interest, or coupons; and,
3. Obligations of the City.

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits. At year-end, the carrying amount of the City's deposits was \$4,312 and the bank balance was \$125,651. \$111,849 of the bank balance was covered by federal depository insurance. \$13,802 was uninsured and uncollateralized.

Investments. The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio and U.S. Treasury Obligations are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 2	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$0	\$0	\$579,403	\$579,403	\$579,403
U.S. Government Agency Obligations	5,384,230	4,651,993	0	10,036,223	10,036,223
U.S. Treasury Obligations	0	0	0	55,873	55,873
Investment in North Canton City					
Manuscript Note	1,800,000	0	0	1,800,000	1,800,000
STAROhio	0	0	0	247,728	247,728
Total	<u>\$7,184,230</u>	<u>\$4,651,993</u>	<u>\$579,403</u>	<u>\$12,719,227</u>	<u>\$12,719,227</u>

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less and cash and investments of the cash management pool.

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$10,923,539	\$1,800,000
Repurchase Agreements	(579,403)	579,403
U.S. Government Agency Obligations	(10,036,223)	10,036,223
U.S. Treasury Obligations	(55,873)	55,873
STAROhio	(247,728)	247,728
GASB Statement 3	<u>\$4,312</u>	<u>\$12,719,227</u>

Note 7 - Receivables

Receivables at December 31, 2004, consisted primarily of municipal income taxes, property and other taxes, accounts, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes which became a lien December 31, 2003, are levied after October 1, 2004, and collected in 2005 real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003 on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The tax rate for all City operations for the year ended December 31, 2004, was \$5.90 per 1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$343,239,470
Tangible Personal Property	31,315,868
Public Utility	<u>10,721,710</u>
 Total Valuation	 <u><u>\$385,277,048</u></u>

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of North Canton. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004 and for which there is an enforceable legal claim. In the general, fire operating levy, EMS levy, storm sewer and street levy funds the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Municipal Income Taxes

The City levies a municipal income tax of 1.5 percent on all income earned within the City as well as on income of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent on the income earned outside of the City and paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Ohio law requires all City income tax rates above 1 percent to be voted by the residents of the City. According to the City's Income Tax Ordinance, at a minimum, the first 1.0 percent shall be allocated to provide funds for the purpose of general municipal operations, including maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements. After paying all costs associated with the collection of the income tax, the balance of the 1.0 percent is allocated as follows: 0.30 percent to the capital improvement fund and 0.70 percent to the general fund to be spent on general operating purposes as the City sees fit. The remaining 0.5 percent shall be allocated for the payment of debt service on bonds outstanding as of January 1, 1984 and to the extent not so appropriated, for general municipal operations and capital improvements as determined by Council. Additional increases in the income tax rate would require voter approval.

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities	
Estate Tax	\$135,848
Local Government State Support	337,322
Homestead and Rollback	108,242
Grants	135
Fire Operating Levy	12,328
Emergency Medical Service Levy	22,320
Law Enforcement	335
Street Construction Maintenance and Repair	261,602
Storm Sewer Levy	12,007
Street Improvement Levy	12,007
	\$902,146
Total	\$902,146
Business-Type Activities	
Water Revenue	\$17,810

Note 8 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2004, the City contracted with Clarendon National Insurance for general liability, automobile, crime, equipment, fire, errors and omissions and police and professional liability insurance. Clarendon National Insurance also covers buildings and contents and boiler and machinery, while Hartford Life and Accident covers emergency medical service and fire accidental disability and death insurance. The City also purchases umbrella coverage from Clarendon National Insurance with a general aggregate of \$5,000,000. Ohio Farmers insures performance bonds for all officials and employees.

Public officials have a deductible of \$5,000, building and contents have a deductible of \$2,500, and vehicles have a \$500 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past six years. There has not been a significant reduction in coverage from the prior year.

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The City has elected to provide employee medical/surgical benefits through a self-insured program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical/surgical plan with a \$100 single and \$200 family deductible for in-network providers and a \$250 single and \$500 family deductible for out-of-network providers. The City uses a third party administrator to review, process and pay all claims on behalf of the City.

The City purchases stop-loss coverage for claims in excess of \$40,000 per employee per year and an aggregate of \$1,000,000. The City pays into the self-insurance internal service fund \$734 for family coverage or \$282 for individual coverage per employee per month which represents the entire premium required. This premium is paid by the fund that pays the salary of the employee and is based on historical cost information.

The claims liability of \$109,888, reported in the Internal Service fund at December 31, 2004 is estimated by a third party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amounts in 2003 and 2004 are:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$170,233	\$983,194	\$1,056,763	\$96,664
2004	96,664	916,102	902,878	109,888

Note 9 - Operating Leases

In July 2003, the City acquired the premises known as Arrowhead Country Club for \$4.2 million. This area, approximately 105 acres, includes a golf course, clubhouse and pool. The City intends to keep the property operating as a golf course. In December 2003, the City entered into a triple-net lease agreement with a golf course operator, effective January 1, 2004. A triple-net lease means the lessee is responsible for operations, insurance and taxes. The lease agreement is for an initial term of five years with an option to extend it an additional five years. The lessee is responsible for the complete operations of the golf course and clubhouse. The lessee is also required to make \$50,000 in capital improvements in each of the first four years of the lease. The assets involved in the lease are as follows:

	Governmental Activities
Asset:	
Land	\$1,780,214
Buildings	1,648,340
Land Improvements	592,759
Equipment	176,749
Subtotal	4,198,062
Less: Accumulated Depreciation	(138,651)
Total	\$4,059,411

The minimum lease commitment under this non-cancellable lease as of December 31, 2004 are the following:

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Minimum Commitment
2005	\$95,000
2006	109,500
2007	109,500
2008	159,500
Total	<u>\$473,500</u>

Note 10 - Litigation

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

Note 11 – Settlement Agreements Payable

In March 2004, the City entered into two separate release and settlement agreements for a total of \$316,000 relating to a construction contract for improvements to the City’s 1.5 million gallon water tower. The first agreement was due to a dispute between the City and the general contractor regarding the refurbishment of the tower, which led to the City hiring another contractor to finish the project. This agreement allowed for final payment of the remainder of the contract to the second contractor. The second settlement agreement was for additional payment owed to the engineering firm hired to inspect the project. Both of these agreements were paid in full out of the water fund during 2004.

Note 12 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2004:

Project	Contract Amount	Amount Paid	Remaining on Contract
Road Improvements	\$916,250	\$652,946	\$263,304
Storm Sewer Improvements	83,070	0	83,070
Finished Waterline Improvements	474,406	122,546	351,860
Raw Waterline Improvements	1,191,816	217,555	974,261
Water Treatment Plant Improvements	9,777,883	7,980,779	1,797,104
Sanitary Sewer Improvements	418,946	249,908	169,038
Professional Services	73,550	28,561	44,989
	<u>\$12,935,921</u>	<u>\$9,252,295</u>	<u>\$3,683,626</u>

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 13 – Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance 12/31/2003	Additions	Deductions	Balance 12/31/2004
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$4,418,867	\$660,000	\$0	\$5,078,867
Construction in Progress	0	219,855	0	219,855
<i>Total Capital Assets, not being depreciated</i>	<u>4,418,867</u>	<u>879,855</u>	<u>0</u>	<u>5,298,722</u>
<i>Capital Assets, being depreciated</i>				
Buildings	6,301,938	9,610	0	6,311,548
Land Improvements	735,535	16,253	0	751,788
Equipment	5,287,414	547,663	(37,363)	5,797,714
Infrastructure				
Streets Subsystem	15,691,727	692,043	0	16,383,770
Storm Sewers Subsystem	6,829,706	176,823	(1,843)	7,004,686
Bridge Subsystem	203,000	0	0	203,000
<i>Total Capital Assets, being depreciated</i>	<u>35,049,320</u>	<u>1,442,392</u>	<u>(39,206)</u>	<u>36,452,506</u>
Less Accumulated Depreciation:				
Buildings	(3,088,496)	(191,889)	0	(3,280,385)
Land Improvements	(76,237)	(40,293)	0	(116,530)
Equipment	(3,317,624)	(422,981)	37,363	(3,703,242)
Infrastructure				
Streets Subsystem	(6,494,427)	(782,918)	0	(7,277,345)
Storm Sewers Subsystem	(2,525,062)	(151,750)	1,815	(2,674,997)
Bridge Subsystem	(107,051)	(5,742)	0	(112,793)
<i>Total Accumulated Depreciation</i>	<u>(15,608,897)</u>	<u>(1,595,573)*</u>	<u>39,178</u>	<u>(17,165,292)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>19,440,423</u>	<u>(153,181)</u>	<u>(28)</u>	<u>19,287,214</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$23,859,290</u>	<u>\$726,674</u>	<u>(\$28)</u>	<u>\$24,585,936</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$175,468
Security of Persons and Property	
Police	126,057
Fire	83,749
Public Health and Welfare	56,169
Transportation	870,973
Community and Environment	178
Leisure Time Activities	131,229
Basic Utility Services	151,750
Total Depreciation Expense	<u>\$1,595,573</u>

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Restated Balance 12/31/2003	Additions	Deductions	Balance 12/31/2004
Business-Type Activities				
Capital Assets, not being depreciated				
Land	\$602,367	\$0	(\$7,525)	\$594,842
Construction in Progress	4,854,368	6,450,264	(940,848)	10,363,784
<i>Total Capital Assets, not being depreciated</i>	<u>5,456,735</u>	<u>6,450,264</u>	<u>(948,373)</u>	<u>10,958,626</u>
<i>Capital Assets, being depreciated</i>				
Buildings	6,274,541	947,023	0	7,221,564
Land Improvements	158,379	0	0	158,379
Equipment	1,703,240	143,208	0	1,846,448
Infrastructure				
Water Lines	16,698,517	1,048,809	(56,755)	17,690,571
Sewer Lines	9,597,187	398,749	(19,697)	9,976,239
<i>Total Capital Assets, being depreciated</i>	<u>34,431,864</u>	<u>2,537,789</u>	<u>(76,452)</u>	<u>36,893,201</u>
Less Accumulated Depreciation:				
Buildings	(3,707,957)	(191,243)	0	(3,899,200)
Land Improvements	(28,605)	0	0	(28,605)
Equipment	(694,371)	(171,726)	0	(866,097)
Infrastructure				
Water Lines	(5,577,012)	(441,291)	50,564	(5,967,739)
Sewer Lines	(4,973,440)	(216,831)	19,697	(5,170,574)
<i>Total Accumulated Depreciation</i>	<u>(14,981,385)</u>	<u>(1,021,091)</u>	<u>70,261</u>	<u>(15,932,215)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>19,450,479</u>	<u>1,516,698</u>	<u>(6,191)</u>	<u>20,960,986</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$24,907,214</u>	<u>\$7,966,962</u>	<u>(\$954,564)</u>	<u>\$31,919,612</u>

Note 14 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to 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, 277 East Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800)222-7377.

City of North Canton, Ohio
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For the Year Ended December 31, 2004

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$479,611 \$392,791 and \$400,236, respectively; 90.13 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$4,936 made by the City and \$3,096 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2004, 2003, and 2002 were \$174,213, \$152,828 and \$155,225 respectively, equal to the required contributions for each year. The full amount has been contributed for 2003 and 2002. 68.16 percent has been contributed for 2004 with the remainder being reported as a liability.

Note 15 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional

City of North Canton, Ohio
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For the Year Ended December 31, 2004

increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$200,884. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCCP) with an effective date of January 1, 2007. The HCCP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$114,906 for police. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

Note 16 – Other Postemployment Benefits

A. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and sick leave at various rates.

Vacation leave is earned at rates which vary depending upon length of service. Current policy credits vacation leave on January 1 of each year for all full time employees. Vacation accumulation may not exceed three weeks accrual at year end. Any unused excess is eliminated from the employee's leave balance. In case of death, termination, lay-off, or retirement, an employee (or his estate) is paid for his unused vacation to a maximum of two weeks carry-over of previous year plus any current year accrual which depends on time of year plus number of years of service.

Sick leave is earned for all full time employees at the rate of 4.6 hours per pay with the exception of full time employees of emergency medical services who receive 6.15 hours per pay. Employees, at the time of retirement are paid for 50 percent of their accumulated sick leave.

B. Insurance

The City of North Canton provides life insurance and accidental death and dismemberment insurance to its employees through Sun Life Assurance Company of Canada.

The City of North Canton provides a \$3,000 life insurance benefit for retired employees. Substantially all of the City's full time employees may become eligible for this benefit if they reach normal retirement age, or become eligible for total disability benefits while working for the City. The cost of retirees' life insurance is recognized as an expenditure/expense when the insurance premiums are paid. For 2004, the cost totaled \$438.

Note 17 - Jointly Governed Organizations

A. Stark Council of Governments

The City participates in the Stark Council of Governments (the "Council") which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County and its municipalities and townships which direct the operations of the Stark County Metropolitan Narcotics Unit and the Stark County Crime Laboratory. Of the 27 members, the City has one appointed member. Each member's control over the operation of the Council is limited to its representation on the board. The board exercises total authority over the operation of the Council including budgeting, appropriation, contracting, and designating management. The City does not have an equity interest in the Council. The Council is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City did not contribute any funds to the Council in 2004. Complete financial statements can be obtained from the Stark Council of Governments, P.O. Box 21451 Canton, Ohio 44701-1451.

B. Stark County Combined General Health District

The City participates in the Stark County Combined General Health District (the "Health District") which is a statutorily created political subdivision of the State. The Health District is jointly governed by Stark

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

County townships, villages, the City of Louisville, and the City of North Canton. Of the 7 board members, the City has one appointed member. The board is made up of various professionals who are equally representative of the general health district. The board exercises total authority over the operation of the Health District including budgeting, appropriation, contracting, and designating management. The City does not have an equity interest in the Health District. The Health District is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City contributed \$84,626 to the Health District in 2004. Complete financial statements can be obtained from the Stark County Combined General Health District, 3951 Convenience Circle NW, Canton, Ohio 44718.

Note 18 – Interfund Transfers

The general fund transferred \$2,100,000 of income tax revenue to the capital improvements fund as required by City ordinance. The remaining transfers are for general operations. The \$1,795,000 is made up of a \$570,000 transfer to the street construction, maintenance and repair fund, a \$425,000 transfer to the fire operating levy, and a \$800,000 transfer to the emergency medical services levy fund and to maintain services.

Transfer To	Transfer From
	General Fund
Major Funds	
Street Construction, Maintenance and Repair Fund	\$570,000
Capital Improvements Fund	2,100,000
Total Major Funds	2,670,000
Nonmajor Funds	
Fire Operating Levy Fund	425,000
Emergency Medical Services Levy Fund	800,000
Total Nonmajor Funds	1,225,000
Grand Total	\$3,895,000

Note 19 - Notes Payable

Changes in the City's note activity for the year ended December 31, 2004, were as follows:

	Balance 12/31/2003	Issued	Retired	Balance 12/31/2004
Governmental Activities				
Real Estate Acquisition Note	\$2,100,000	\$0	(\$2,100,000)	\$0
Business-Type Activities				
Water System Improvement Note	\$1,000,000	\$0	(\$1,000,000)	\$0
Water System Improvement Note	875,000	0	(875,000)	0
Water System Improvement Note	0	1,600,000	0	1,600,000
Water System Improvement Note	0	1,250,000	0	1,250,000
Total Business-Type Activities	\$1,875,000	\$2,850,000	(\$1,875,000)	\$2,850,000

All notes were backed by the full faith and credit of the City and mature within one year.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

In June 2003, the City issued \$2.1 million in Real Estate Acquisition Notes for the purpose of funding half of the cost of the property known as Arrowhead Country Club. These notes were issued at a rate of 1.25 percent and matured on July 1, 2004.

The water system improvement note liabilities are reflected in the water revenue fund which received the proceeds. The notes were issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. These notes were issued at rates of 1.45 and 2.50 percent and mature in February, 2005. All of the proceeds have been spent as of December 31, 2004.

Note 20 - Long-Term Obligations

The changes in long-term obligations during the year were as follows:

	Balance 12/31/2003	Issued	Retired	Balance 12/31/2004	Amounts Due In One Year
Business-Type Activities					
OWDA Loans					
2000 \$1,300,000 6.41%					
Water Storage System	\$763,023	\$0	(\$89,497)	\$673,526	\$95,326
2003 \$6,786,024 3.65%					
Water Treatment Plant Improvement	3,735,036	3,050,988	0	6,786,024	0
2004 \$3,200,000 3.76%					
Water Treatment Plant Improvement	0	1,745,385	0	1,745,385	0
Other Long-Term Liabilities					
Compensated Absences	344,079	21,686	0	365,765	54,045
Total Business-Type Activities	\$4,842,138	\$4,818,059	(\$89,497)	\$9,570,700	\$149,371
Governmental Activities					
Long-Term Liabilities					
Compensated Absences	\$1,182,519	\$88,878	(\$16,030)	\$1,255,367	\$319,838
Real Estate Acquisition Note 3.00%	0	1,800,000	0	1,800,000	0
Settlement Agreement Payable (1999-2001)	2,058,315	0	0	2,058,315	1,500,000
Total Governmental Activities	\$3,240,834	\$1,888,878	(\$16,030)	\$5,113,682	\$1,819,838

In February, 2000, the City entered into a \$1,300,000 loan agreement with the Ohio Water Development Authority (OWDA) for the purpose of financing the construction of an underground water storage system. The 6.41 percent loan is to be repaid over a ten-year period from the water fund.

In January 2003, the City was approved for a construction loan through the Water Supply Revolving Loan Fund, which is administered by the Ohio Environmental Protection Agency, for the purpose of funding the improvements and upgrades to the City's Water Treatment Plant. The loan, which is administered by the Ohio Water Development Authority, is at a rate of 3.65 percent and is to be repaid over 20 years. It is anticipated that the first repayment will be in 2005. The total amount of the loan, including capitalized interest, is estimated to be \$7.2 million. In January, 2004, the city received a construction loan through the Water Supply Revolving Loan Fund for the purpose of funding the expansion to the City's Water Treatment Plant. The loan is at a rate of 3.76 percent and is to be repaid over 20 years. It is estimated the loan will be for \$3.2 million with repayment to begin in 2006. These loans will not have an accurate repayment schedule until the loans are finalized and, therefore are not included in the schedule of future debt service requirements.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The compensated absences liability will be paid out of the general fund, fire levy, ems levy, street construction, maintenance and repair special revenue funds and the water revenue and sewer revenue enterprise funds.

In June 2004, the City issued \$1.8 million in taxable Real Estate Acquisition Notes for the purpose of paying off the \$2.1 million issued for the purchase of the property known as Arrowhead Country Club. These notes were issued at a rate of 3.0 percent and mature June 29, 2005. These notes were “purchased” by the City to be maintained in the City’s investment portfolio. These notes are long-term liabilities for 2004 based on the refinancing that occurred in June 29, 2005. See Note 22 for more information on the note rollover.

In October 2001, the City entered into a settlement agreement with the Maytag Corporation (Maytag) whereby the City agreed to allow Maytag to file amended income tax returns for 1996 through 1998, as well as file returns for tax years 1999 and 2000, on a consolidated basis, rather than a single company basis. Maytag agreed to discount the amount of the tax refund due on the amended returns for the tax years 1996 through 1998, as well as waive all interest due on these refund claims. The tax refund due Maytag, after the discount, for the tax years 1996 to 1998, was \$1,078,008. This amount was paid back to Maytag in three annual installments of \$359,336 each November beginning in 2001 and ending in 2003. The tax refund due as a result of amending the 1999 tax return, as well as the overpayment in estimated taxes for the 2000 and 2001 returns, amounted to \$2,114,126. This amount will be credited to future tax periods and any portion not fully utilized by the tax year 2003, due in 2004, will be refunded to Maytag within 90 days of the filing. The balance of this credit after the 2003 tax filing was \$2,058,315. In December 2004, City council approved an amended settlement agreement with Maytag officials to extend the final repayment of the \$2,058,315 credit. According to the agreement, \$500,000 will be paid January 15, 2005, \$500,000 on April 15, 2005, \$500,000 on July 15, 2005 and the remainder of \$558,315 will be paid January 15, 2006. The settlement agreement payable will be paid out of the general fund.

The City's overall legal debt margin was \$38,654,090 at December 31, 2004. Principal and interest requirements to retire the outstanding debt at December 31, 2004, are as follows:

Year	OWDA Loans		Settlement Agreement
	Principal	Interest	Payable
2005	\$95,326	\$41,672	\$1,500,000
2006	101,534	35,464	558,315
2007	108,146	28,851	0
2008	115,190	21,808	0
2009	122,691	14,307	0
2010	130,639	6,315	0
Total	<u>\$673,526</u>	<u>\$148,417</u>	<u>\$2,058,315</u>

From time to time, the City has issued Industrial Revenue Bonds to provide assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans; ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2004, there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$15,375,000.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 21 - Environmental Issues

In 2000, the City began developing a new well field located on the east side of the City. This well, known as Well #8, could have the potential to pump up to 3.0 million gallons per day. The construction of the well was completed in 2001 and EPA approval to use the well was obtained. In March 2001, the City entered into a contract to construct a raw waterline to connect the new Well #8 to the Water Treatment Plant. In June 2001, two separate monitoring wells surrounding Well #8, as well as some neighboring private wells, were found to be contaminated with high levels of pollutants. The Ohio EPA, in conjunction with other authorities, began a thorough investigation of the incident. Preliminary results indicated that the contamination was due to a recent dumping and that the ground water had not been affected. As a result of the contamination, City Administrators made the decision to halt the construction of the raw waterline. At that time, the waterline was approximately 30% complete. The completed portion of the waterline is being reported in the accompanying financial statements as Construction in Progress at a cost of \$393,667. In addition, the cost to construct Well #8 is also being reported as Construction in Progress at a cost of \$179,194. In March 2002, the wells were tested by the EPA and found to be clean. In order to gain approval by the EPA to use the well, it had to be tested quarterly over a one year period. These tests were taken in 2003 and 2004 and showed no contamination. EPA approval to use the well was granted. In 2004, construction was started to complete the raw waterline connecting the well field to the Water Treatment Plant. This resulted in an increase in Construction in Progress of \$921,901. This project was completed in 2005 and the well and raw waterline are currently in service.

Note 22 - Subsequent Events

In February 2005, the City issued \$3,000,000 in one-year Water System Improvement Notes, at a rate of 3.25 percent. Of this amount, \$2,650,000 was issued to replace notes that matured in February and \$350,000 was used for the purpose of funding waterline improvement projects.

In May 2005, City Council approved two pieces of legislation authorizing the funding of the City's Community Improvement Corporation (CIC) by transferring \$1.5 million into an escrow account that will be used to fund the CIC at \$100,000 per year over 15 years. In June 2005, before the legislation became effective, petitions were taken out for a referendum on the legislation. Enough valid signatures were obtained to send the issue to the voters on the November ballot.

On June 29, 2005, the City issued \$1,800,000 in one-year taxable Real Estate Acquisition Notes at a rate of 3.25 percent to replace the one year notes that matured June 29, 2005. In addition, the City approved the issuance of \$1,500,000 in one-year street improvement notes and \$548,000 in one-year sanitary sewer notes.

Combining Statements and Individual Fund Schedules

Fund Descriptions - Nonmajor Governmental Funds

All nonmajor governmental funds are special revenue funds.

Nonmajor Special Revenue Funds

To account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

Fire Operating Levy Fund – This fund accounts for property taxes levied for the partial operation of the fire department.

Emergency Medical Services Levy Fund The emergency medical services levy fund accounts for property taxes levied for the partial operation of the emergency medical service department.

Computer Fund – This fund accounts for fees charged to any case processed through Mayor’s Court for computer services needed for the operation of the court system.

Enforcement and Education Fund – This fund accounts for revenues received from fines levied when arrests are made for driving under the influence of alcohol. This money is then spent on education of officers and members of the community.

Storm Sewer Levy Fund – This fund accounts for property taxes levied to maintain, improve or construct storm sewers within the City.

Street Levy Fund – This fund accounts for property taxes levied to subsidize improvement of streets within the City.

Municipal Road Fund – This fund accounts for the portion of permissive motor vehicle license tax levied by the County that is allocated to the City to be used for street repair.

Law Enforcement Trust Fund – This fund accounts for money collected from federal forfeitures that is to be used for specific law enforcement purposes.

General Trust Fund - This fund accounts for donations to the City.

Mayor’s Court Fund - This fund accounts for activity in the City’s Mayor’s Court. Budgetary information is not reported because it is not included in the entity for which the “appropriated budget” is adopted and does not maintain a separate budgetary record.

City of North Canton, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	Fire Operating Levy	Emergency Medical Services Levy	Computer	Enforcement and Education
Assets				
Equity in Pooled Cash and Cash Equivalents	\$121,042	\$137,831	\$27,848	\$7,315
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Materials and Supplies Inventory	0	3,194	0	0
Accounts Receivable	0	128,939	0	0
Intergovernmental Receivable	12,328	22,320	0	335
Prepaid Items	5,494	3,532	0	0
Property Taxes Receivable	98,098	179,023	0	0
<i>Total Assets</i>	<u>\$236,962</u>	<u>\$474,839</u>	<u>\$27,848</u>	<u>\$7,650</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$24	\$4,241	\$0	\$0
Contracts Payable	0	0	0	0
Accrued Wages	27,024	14,782	0	0
Intergovernmental Payable	10,119	19,423	0	0
Deferred Revenue	110,426	201,343	0	0
<i>Total Liabilities</i>	<u>147,593</u>	<u>239,789</u>	<u>0</u>	<u>0</u>
Fund Balances				
Reserved for Encumbrances	173	3,237	0	0
Unreserved, Undesignated	89,196	231,813	27,848	7,650
<i>Total Fund Balances</i>	<u>89,369</u>	<u>235,050</u>	<u>27,848</u>	<u>7,650</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$236,962</u>	<u>\$474,839</u>	<u>\$27,848</u>	<u>\$7,650</u>

Storm Sewer Levy	Street Levy	Municipal Road	Law Enforcement Trust	General Trust	Mayor's Court	Total Nonmajor Governmental Funds
\$65,460	\$18,706	\$5,000	\$0	\$0	\$0	\$383,202
0	0	0	1,647	30,690	255	32,592
0	0	0	0	0	0	3,194
0	0	0	0	0	0	128,939
12,007	12,007	0	0	0	0	58,997
701	0	0	0	0	0	9,727
106,178	106,178	0	0	0	0	489,477
<u>\$184,346</u>	<u>\$136,891</u>	<u>\$5,000</u>	<u>\$1,647</u>	<u>\$30,690</u>	<u>\$255</u>	<u>\$1,106,128</u>
\$0	\$0	\$0	\$0	\$336	\$0	\$4,601
0	1,100	0	0	0	0	1,100
0	0	0	0	0	0	41,806
0	0	0	0	0	0	29,542
118,185	118,185	0	0	0	0	548,139
<u>118,185</u>	<u>119,285</u>	<u>0</u>	<u>0</u>	<u>336</u>	<u>0</u>	<u>625,188</u>
10,161	560	0	0	0	0	14,131
56,000	17,046	5,000	1,647	30,354	255	466,809
<u>66,161</u>	<u>17,606</u>	<u>5,000</u>	<u>1,647</u>	<u>30,354</u>	<u>255</u>	<u>480,940</u>
<u>\$184,346</u>	<u>\$136,891</u>	<u>\$5,000</u>	<u>\$1,647</u>	<u>\$30,690</u>	<u>\$255</u>	<u>\$1,106,128</u>

City of North Canton, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	Fire Operating Levy	Emergency Medical Services Levy	Computer	Enforcement and Education
Revenues				
Property and Other Taxes	\$95,091	\$173,549	\$0	\$0
Fines and Forfeitures	0	0	7,550	2,502
Intergovernmental	62,204	34,732	0	0
Ambulance Fees	0	233,047	0	0
Other	329	281	0	0
<i>Total Revenues</i>	<u>157,624</u>	<u>441,609</u>	<u>7,550</u>	<u>2,502</u>
Expenditures				
Current:				
General Government	0	0	3,259	0
Security of Persons and Property:				
Police	0	0	0	2,511
Fire	524,643	0	0	0
Public Health and Welfare	0	1,106,370	0	0
Transportation	0	0	0	0
Basic Utility Services	0	0	0	0
<i>Total Expenditures</i>	<u>524,643</u>	<u>1,106,370</u>	<u>3,259</u>	<u>2,511</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(367,019)	(664,761)	4,291	(9)
Other Financing Sources				
Transfers In	425,000	800,000	0	
<i>Net Change in Fund Balances</i>	57,981	135,239	4,291	(9)
<i>Fund Balances Beginning of Year</i>	<u>31,388</u>	<u>99,811</u>	<u>23,557</u>	<u>7,659</u>
<i>Fund Balances End of Year</i>	<u>\$89,369</u>	<u>\$235,050</u>	<u>\$27,848</u>	<u>\$7,650</u>

Storm Sewer Levy	Street Levy	Municipal Road	Law Enforcement Trust	General Trust	Mayor's Court	Total Nonmajor Governmental Funds
\$102,813	\$102,813	\$0	\$0	\$0	\$0	\$474,266
0	0	0	0	0	104,510	114,562
14,116	14,116	80,000	0	0	0	205,168
0	0	0	0	0	0	233,047
0	0	0	0	9,960	0	10,570
116,929	116,929	80,000	0	9,960	104,510	1,037,613
0	0	0	0	13,599	104,510	121,368
0	0	0	0	4,765	0	7,276
0	0	0	0	2,934	0	527,577
0	0	0	0	438	0	1,106,808
0	167,681	80,000	0	0	0	247,681
130,038	0	0	0	0	0	130,038
130,038	167,681	80,000	0	21,736	104,510	2,140,748
(13,109)	(50,752)	0	0	(11,776)	0	(1,103,135)
0	0	0	0	0	0	1,225,000
(13,109)	(50,752)	0	0	(11,776)	0	121,865
79,270	68,358	5,000	1,647	42,130	255	359,075
\$66,161	\$17,606	\$5,000	\$1,647	\$30,354	\$255	\$480,940

Agency Fund

Required Deposits Fund - This fund accounts for monies put on deposit with the City in accordance with various City ordinances.

City of North Canton, Ohio
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended December 31, 2004

	<u>Beginning Balance 12/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance 12/31/04</u>
Required Deposits				
Assets				
Cash and Cash Equivalents In Segregated Accounts	<u>\$165,214</u>	<u>\$156,591</u>	<u>\$228,299</u>	<u>\$93,506</u>
Liabilities				
Deposits Held and Due to Others	<u>\$165,214</u>	<u>\$156,591</u>	<u>\$228,299</u>	<u>\$93,506</u>

**Individual Fund Schedules of Revenues, Expenditures/Expenses
and Changes in Fund Balances/Fund Equity –
Budget (Non-GAAP Basis) and Actual**

City of North Canton
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Taxes	\$821,356	\$732,356	\$792,102	\$59,746
Municipal Income Taxes	5,350,000	5,621,000	6,010,365	389,365
Charges for Services	90,000	317,500	310,922	(6,578)
Licenses and Permits	110,000	110,000	108,151	(1,849)
Fines and Forfeitures	57,305	63,000	64,803	1,803
Intergovernmental	464,232	1,085,939	1,369,861	283,922
Interest	150,000	300,000	206,055	(93,945)
Other	50,000	96,500	108,802	12,302
<i>Total Revenues</i>	<u>7,092,893</u>	<u>8,326,295</u>	<u>8,971,061</u>	<u>644,766</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive:				
Mayor:				
Personal Services	87,200	87,850	87,439	411
Contractual Services	14,500	15,950	8,031	7,919
Materials and Supplies	2,000	2,000	960	1,040
Capital Outlay	1,900	1,900	0	1,900
Total Mayor	<u>105,600</u>	<u>107,700</u>	<u>96,430</u>	<u>11,270</u>
Director of Administration:				
Personal Services	163,430	166,530	163,946	2,584
Contractual Services	21,359	18,259	13,814	4,445
Materials and Supplies	3,500	3,500	1,228	2,272
Capital Outlay	1,900	1,900	0	1,900
Total Director of Administration	<u>190,189</u>	<u>190,189</u>	<u>178,988</u>	<u>11,201</u>
Director of Finance:				
Personal Services	163,900	170,250	167,828	2,422
Contractual Services	36,500	44,500	29,023	15,477
Materials and Supplies	6,000	6,000	4,459	1,541
Capital Outlay	4,600	4,600	511	4,089
Total Director of Finance	<u>211,000</u>	<u>225,350</u>	<u>201,821</u>	<u>23,529</u>
Electronic Data Processing:				
Contractual Services	17,500	12,000	3,365	8,635
Materials and Supplies	400	400	254	146
Capital Outlay	49,766	29,800	17,700	12,100
Total Electronic Data Processing	<u>67,666</u>	<u>42,200</u>	<u>21,319</u>	<u>20,881</u>
Director of Law:				
Personal Services	69,875	76,575	76,219	356
Contractual Services	50,500	83,200	77,223	5,977
Materials and Supplies	6,300	7,100	5,748	1,352
Capital Outlay	2,044	2,044	1,558	486
Total Director of Law	<u>\$128,719</u>	<u>\$168,919</u>	<u>\$160,748</u>	<u>\$8,171</u>

(continued)

City of North Canton
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
City Council:				
Personal Services	\$202,300	\$215,400	\$203,727	\$11,673
Contractual Services	31,900	42,600	39,481	3,119
Materials and Supplies	2,000	2,000	1,907	93
Capital Outlay	17,200	16,980	4,897	12,083
Total City Council	253,400	276,980	250,012	26,968
Civil Service Commission:				
Personal Services	6,700	8,900	8,621	279
Contractual Services	17,200	15,000	6,019	8,981
Materials and Supplies	600	600	446	154
Total Civil Service Commission	24,500	24,500	15,086	9,414
City Hall Maintenance:				
Personal Services	23,600	8,615	4,141	4,474
Contractual Services	126,119	127,044	112,861	14,183
Materials and Supplies	8,430	8,430	7,881	549
Capital Outlay	3,000	6,500	5,445	1,055
Total City Hall Maintenance	161,149	150,589	130,328	20,261
Department of Engineering:				
Personal Services	386,700	387,700	359,359	28,341
Contractual Services	67,735	87,412	77,868	9,544
Materials and Supplies	18,500	16,000	11,572	4,428
Capital Outlay	13,000	13,000	6,399	6,601
Total Department of Engineering	485,935	504,112	455,198	48,914
Income Tax Administration:				
Personal Services	198,300	200,350	166,530	33,820
Contractual Services	73,195	42,145	32,763	9,382
Materials and Supplies	11,000	11,000	5,953	5,047
Capital Outlay	6,100	6,100	675	5,425
Total Income Tax Administration	288,595	259,595	205,921	53,674
Other General Government:				
Personal Services	60,000	50,000	46,564	3,436
Contractual Services	187,100	171,044	155,217	15,827
Capital Outlay	1,000	1,000	416	584
Other	73,000	36,735	32,937	3,798
Total Other General Government	321,100	258,779	235,134	23,645
Total General Government	2,237,853	2,208,913	1,950,985	257,928
Security of Persons and Property:				
Police:				
Personal Services	2,523,594	2,593,395	2,574,672	18,723
Contractual Services	209,295	206,595	185,215	21,380
Materials and Supplies	70,900	70,900	66,297	4,603
Capital Outlay	46,150	46,108	41,791	4,317
Total Security of Persons and Property	\$2,849,939	\$2,916,998	\$2,867,975	\$49,023

(continued)

City of North Canton
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public Health and Welfare:				
County Health Department:				
Contractual Services	\$81,200	\$84,626	\$84,626	\$0
Transportation:				
Street:				
Capital Outlay	100,000	14,500	0	14,500
Community Environment:				
Licenses and Permits:				
Personal Services	288,450	288,600	272,521	16,079
Contractual Services	35,000	35,550	23,668	11,882
Materials and Supplies	6,400	6,400	4,548	1,852
Capital Outlay	8,900	8,900	6,320	2,580
Total Licenses and Permits	338,750	339,450	307,057	32,393
Planning Commission:				
Contractual Services	650	650	178	472
Materials and Supplies	100	100	54	46
Total Planning Commission	750	750	232	518
Zoning and Building:				
Contractual Services	550	550	132	418
Materials and Supplies	100	100	46	54
Total Zoning and Building	650	650	178	472
Economic Development:				
Personal Services	72,400	40,900	0	40,900
Contractual Services	77,000	77,000	31,030	45,970
Materials and Supplies	8,600	8,600	0	8,600
Total Economic Development	158,000	126,500	31,030	95,470
Total Community Environment	498,150	467,350	338,497	128,853
Leisure Time Activities:				
Dogwood Shelter:				
Contractual Services	21,000	21,000	11,492	9,508
Capital Outlay	1,000	1,000	0	1,000
Total Dogwood Shelter	22,000	22,000	11,492	10,508
Swimming Pool:				
Personal Services	120,550	120,550	117,370	3,180
Contractual Services	47,594	47,294	38,113	9,181
Materials and Supplies	34,000	34,300	26,161	8,139
Capital Outlay	7,000	7,000	6,665	335
Total Swimming Pool	209,144	209,144	188,309	20,835
Park Department:				
Personal Services	381,000	384,900	377,345	7,555
Contractual Services	96,150	92,150	75,400	16,750
Materials and Supplies	21,300	21,400	16,416	4,984
Capital Outlay	23,025	23,825	22,082	1,743
Total Park Department	\$521,475	\$522,275	\$491,243	\$31,032

(continued)

City of North Canton
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Civic Center:				
Personal Services	\$84,350	\$101,650	\$98,070	\$3,580
Contractual Services	63,600	63,400	50,417	12,983
Materials and Supplies	5,000	5,400	5,211	189
Capital Outlay	1,800	1,800	827	973
Total Civic Center	154,750	172,250	154,525	17,725
Recreation Department:				
Personal Services	96,650	103,750	102,583	1,167
Contractual Services	14,150	13,570	4,330	9,240
Materials and Supplies	5,400	5,400	4,457	943
Capital Outlay	1,600	1,600	740	860
Total Recreation Department	117,800	124,320	112,110	12,210
Recreation Program:				
Personal Services	600	600	0	600
Contractual Services	9,900	9,900	4,696	5,204
Materials and Supplies	7,500	7,500	4,134	3,366
Total Recreation Program	18,000	18,000	8,830	9,170
Total Leisure Time Activities	1,043,169	1,067,989	966,509	101,480
Debt Service:				
Principal Retirement	2,100,000	2,100,000	2,100,000	0
Intersert and Fiscal Charges	26,250	26,250	26,177	73
Total Debt Service	2,126,250	2,126,250	2,126,177	73
Total Expenditures	8,936,561	8,886,626	8,334,769	551,857
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(1,843,668)</i>	<i>(560,331)</i>	<i>636,292</i>	<i>1,196,623</i>
Other Financing Sources (Uses)				
Notes Issued	1,800,000	1,800,000	1,800,000	0
Transfers Out	(4,195,000)	(3,895,000)	(3,895,000)	0
Total Other Financing Sources (Uses)	(2,395,000)	(2,095,000)	(2,095,000)	0
Net Change in Fund Balance	(4,238,668)	(2,655,331)	(1,458,708)	1,196,623
Fund Balance Beginning of Year	8,953,839	8,953,839	8,953,839	0
Prior Year Encumbrances Appropriated	44,386	44,386	44,386	0
Fund Balance End of Year	\$4,759,557	\$6,342,894	\$7,539,517	\$1,196,623

City of North Canton
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$530,000	\$520,000	\$521,199	\$1,199
Other	0	0	4,018	4,018
<i>Total Revenues</i>	<u>530,000</u>	<u>520,000</u>	<u>525,217</u>	<u>5,217</u>
Expenditures				
Current:				
Transportation:				
Personal Services	670,200	660,500	656,433	4,067
Contractual Services	161,300	137,000	120,548	16,452
Materials and Supplies	249,500	283,500	277,268	6,232
Capital Outlay	33,585	33,585	23,461	10,124
Other	0	0	0	0
<i>Total Expenditures</i>	<u>1,114,585</u>	<u>1,114,585</u>	<u>1,077,710</u>	<u>36,875</u>
<i>Excess of Revenues Under Expenditures</i>	(584,585)	(594,585)	(552,493)	42,092
Other Financing Sources				
Transfers In	570,000	570,000	570,000	0
<i>Net Change in Fund Balance</i>	(14,585)	(24,585)	17,507	42,092
<i>Fund Balance Beginning of Year</i>	<u>87,288</u>	<u>87,288</u>	<u>87,288</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$72,703</u>	<u>\$62,703</u>	<u>\$104,795</u>	<u>\$42,092</u>

City of North Canton
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Capital Improvements Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$74,000	\$74,000	\$74,015	\$15
Other	13,216	13,216	14,203	987
Expenditures				
Capital Outlay:				
Contractual Services	345,070	364,588	339,988	24,600
Capital Outlay	4,679,502	4,602,704	3,319,700	1,283,004
<i>Total Expenditures</i>	5,024,572	4,967,292	3,659,688	1,307,604
<i>Excess of Revenues Under Expenditures</i>	(4,937,356)	(4,880,076)	(3,571,470)	1,308,606
Other Financing Sources				
Transfers In	2,462,784	2,100,000	2,100,000	0
<i>Net Change in Fund Balance</i>	(2,474,572)	(2,780,076)	(1,471,470)	1,308,606
<i>Fund Balance Beginning of Year</i>	1,655,263	1,655,263	1,655,263	0
Prior Year Encumbrances Appropriated	1,215,832	1,215,832	1,215,832	0
<i>Fund Balance End of Year</i>	\$396,523	\$91,019	\$1,399,625	\$1,308,606

City of North Canton
Schedule of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Water Revenue Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$3,712,000	\$3,712,000	\$3,736,978	\$24,978
Tap-In Fees	65,000	65,000	92,087	27,087
Interest	0	0	5,317	5,317
Proceeds from OWDA Loan	2,160,700	6,963,432	4,341,314	(2,622,118)
Notes Issued	2,625,000	2,850,000	2,850,000	0
Premium on Sale of Notes	0	0	5,025	5,025
Other	0	0	86,876	86,876
Capital Grants	867,300	867,300	849,490	(17,810)
<i>Total Revenues</i>	9,430,000	14,457,732	11,967,087	(2,490,645)
Expenses				
Personal Services	1,445,095	1,460,845	1,427,592	33,253
Contractual Services	1,038,331	1,105,642	827,601	278,041
Materials and Supplies	426,602	438,207	373,260	64,947
Capital Outlay	10,828,235	10,892,866	9,954,324	938,542
Debt Service:				
Principal Retirement	1,964,500	1,964,500	1,964,497	3
Interest and Fiscal Charges	74,690	74,690	73,042	1,648
Issuance Costs	60,000	60,000	44,121	15,879
<i>Total Expenses</i>	15,837,453	15,996,750	14,664,437	1,332,313
<i>Net Change in Fund Equity</i>	(6,407,453)	(1,539,018)	(2,697,350)	(1,158,332)
<i>Fund Equity (Deficit) Beginning of Year</i>	(2,421,623)	(2,421,623)	(2,421,623)	0
Prior Year Encumbrances Appropriated	4,168,002	4,168,002	4,168,002	0
<i>Fund Equity (Deficit) End of Year</i>	(\$4,661,074)	\$207,361	(\$950,971)	(\$1,158,332)

City of North Canton
Schedule of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Sewer Revenue Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$1,600,000	\$1,740,000	\$1,728,138	(\$11,862)
Tap-In Fees	0	101,000	90,150	(10,850)
Special Assessments	0	0	13,484	13,484
Other	0	0	7	7
<i>Total Revenues</i>	1,600,000	1,841,000	1,831,779	(9,221)
Expenses				
Personal Services	387,935	387,935	375,886	12,049
Contractual Services	1,623,043	1,497,744	1,596,790	(99,046)
Materials and Supplies	16,600	20,350	13,560	6,790
Capital Outlay	836,797	774,630	578,923	195,707
<i>Total Expenses</i>	2,864,375	2,680,659	2,565,159	115,500
<i>Net Change in Fund Equity</i>	(1,264,375)	(839,659)	(733,380)	106,279
<i>Fund Equity Beginning of Year</i>	673,243	673,243	673,243	0
Prior Year Encumbrances Appropriated	613,690	613,690	613,690	0
<i>Fund Equity End of Year</i>	\$22,558	\$447,274	\$553,553	\$106,279

City of North Canton
Schedule of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Garbage Service Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$550,000	\$525,000	\$552,911	\$27,911
Operating Grants	0	0	60,000	60,000
<i>Total Revenues</i>	550,000	525,000	612,911	87,911
Expenses				
Personal Services	49,350	49,400	45,322	4,078
Contractual Services	593,556	593,100	578,744	14,356
Materials and Supplies	2,200	2,300	535	1,765
<i>Total Expenses</i>	645,106	644,800	624,601	20,199
<i>Net Change in Fund Equity</i>	(95,106)	(119,800)	(11,690)	108,110
<i>Fund Equity Beginning of Year</i>	154,104	154,104	154,104	0
Prior Year Encumbrances Appropriated	306	306	306	0
<i>Fund Equity End of Year</i>	\$59,304	\$34,610	\$142,720	\$108,110

City of North Canton
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Operating Levy Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$97,443	\$97,443	\$95,091	(\$2,352)
Intergovernmental	36,000	57,019	62,204	5,185
Other	0	0	329	329
<i>Total Revenues</i>	133,443	154,462	157,624	3,162
Expenditures				
Current:				
Security of Persons and Property:				
Fire:				
Personal Services	426,700	424,400	365,912	58,488
Contractual Services	110,900	109,600	85,080	24,520
Materials and Supplies	25,124	28,724	22,719	6,005
Capital Outlay	75,004	75,004	71,074	3,930
<i>Total Expenditures</i>	637,728	637,728	544,785	92,943
<i>Excess of Revenues</i> <i>Under Expenditures</i>	(504,285)	(483,266)	(387,161)	96,105
Other Financing Sources				
Transfers In	425,000	425,000	425,000	0
<i>Net Change in Fund Balance</i>	(79,285)	(58,266)	37,839	96,105
<i>Fund Balance Beginning of Year</i>	31,750	31,750	31,750	0
Prior Year Encumbrances Appropriated	51,256	51,256	51,256	0
<i>Fund Balance End of Year</i>	\$3,721	\$24,740	\$120,845	\$96,105

City of North Canton
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Emergency Medical Services Levy Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$177,993	\$177,993	\$173,549	(\$4,444)
Ambulance Fees	35,000	175,000	201,468	26,468
Intergovernmental	19,900	19,900	34,732	14,832
Other	0	0	281	281
<i>Total Revenues</i>	232,893	372,893	410,030	37,137
Expenditures				
Current:				
Public Health and Welfare:				
E.M.S.:				
Personal Services	967,500	1,049,510	1,034,262	15,248
Contractual Services	90,811	77,220	67,866	9,354
Materials and Supplies	35,630	38,000	33,867	4,133
Capital Outlay	10,722	14,772	13,006	1,766
<i>Total Expenditures</i>	1,104,663	1,179,502	1,149,001	30,501
<i>Excess of Revenues</i>				
<i>Under Expenditures</i>	(871,770)	(806,609)	(738,971)	67,638
Other Financing Sources				
Transfers In	800,000	800,000	800,000	0
<i>Net Change in Fund Balance</i>	(71,770)	(6,609)	61,029	67,638
<i>Fund Balance Beginning of Year</i>	72,374	72,374	72,374	0
Prior Year Encumbrances Appropriated	1,191	1,191	1,191	0
<i>Fund Balance End of Year</i>	\$1,795	\$66,956	\$134,594	\$67,638

City of North Canton
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Computer Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and Forfeitures	\$8,000	\$6,500	\$7,550	\$1,050
Expenditures				
Current:				
General Government:				
Computer:				
Contractual Services	9,000	9,000	2,141	6,859
Materials and Supplies	5,000	5,000	1,118	3,882
Capital Outlay	1,000	1,000	0	1,000
<i>Total Expenditures</i>	<u>15,000</u>	<u>15,000</u>	<u>3,259</u>	<u>11,741</u>
<i>Net Change in Fund Balance</i>	(7,000)	(8,500)	4,291	12,791
<i>Fund Balance Beginning of Year</i>	<u>23,557</u>	<u>23,557</u>	<u>23,557</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$16,557</u>	<u>\$15,057</u>	<u>\$27,848</u>	<u>\$12,791</u>

City of North Canton
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Enforcement and Education Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$1,500	\$1,500	\$2,226	\$726
Expenditures				
Current:				
Security of Persons and Property:				
Police:				
Contractual Services	4,000	3,000	59	2,941
Materials and Supplies	2,000	3,000	2,452	548
Capital Outlay	1,000	1,000	0	1,000
<i>Total Expenditures</i>	7,000	7,000	2,511	4,489
<i>Net Change in Fund Balance</i>	(5,500)	(5,500)	(285)	5,215
<i>Fund Balance Beginning of Year</i>	7,600	7,600	7,600	0
<i>Fund Balance End of Year</i>	\$2,100	\$2,100	\$7,315	\$5,215

City of North Canton
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Storm Sewer Levy Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property and Other Taxes	\$106,877	\$106,877	\$102,813	(\$4,064)
Intergovernmental	10,400	10,400	14,116	3,716
<i>Total Revenues</i>	<u>117,277</u>	<u>117,277</u>	<u>116,929</u>	<u>(348)</u>
Expenditures				
Current:				
Basic Utility Services				
Storm Sewers:				
Personal Services	0	11,000	11,000	0
Contractual Services	130,967	124,786	124,132	654
Materials and Supplies	11,000	5,300	5,185	115
<i>Total Expenditures</i>	<u>141,967</u>	<u>141,086</u>	<u>140,317</u>	<u>769</u>
<i>Net Change in Fund Balance</i>	(24,690)	(23,809)	(23,388)	421
<i>Fund Balance Beginning of Year</i>	55,720	55,720	55,720	0
Prior Year Encumbrances Appropriated	22,967	22,967	22,967	0
<i>Fund Balance End of Year</i>	<u>\$53,997</u>	<u>\$54,878</u>	<u>\$55,299</u>	<u>\$421</u>

City of North Canton
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Levy Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property and Other Taxes	\$106,877	\$106,877	\$102,813	(\$4,064)
Intergovernmental	10,400	10,400	14,116	3,716
<i>Total Revenues</i>	<u>117,277</u>	<u>117,277</u>	<u>116,929</u>	<u>(348)</u>
Expenditures				
Current:				
Transportation:				
Streets, Sidewalks, and Maintenance:				
Personal Services	35,000	75,300	75,000	300
Contractual Services	154,181	110,626	104,948	5,678
<i>Total Expenditures</i>	<u>189,181</u>	<u>185,926</u>	<u>179,948</u>	<u>5,978</u>
<i>Net Change in Fund Balance</i>	(71,904)	(68,649)	(63,019)	5,630
<i>Fund Balance Beginning of Year</i>	35,884	35,884	35,884	0
Prior Year Encumbrances Appropriated	44,181	44,181	44,181	0
<i>Fund Balance End of Year</i>	<u>\$8,161</u>	<u>\$11,416</u>	<u>\$17,046</u>	<u>\$5,630</u>

City of North Canton
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Municipal Road Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$85,000	\$85,000	\$80,000	(\$5,000)
Expenditures				
Current:				
Transportation:				
Streets, Sidewalks, and Maintenance:				
Contractual Services	<u>85,000</u>	<u>85,000</u>	<u>80,000</u>	<u>5,000</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,000</u></u>	<u><u>\$5,000</u></u>	<u><u>\$5,000</u></u>	<u><u>\$0</u></u>

City of North Canton
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement Trust Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
Security of Persons and Property:				
Police:				
Materials and Supplies	1,647	1,647	0	1,647
<i>Net Change in Fund Balance</i>	(1,647)	(1,647)	0	1,647
<i>Fund Balance Beginning of Year</i>	1,647	1,647	1,647	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$1,647</u>	<u>\$1,647</u>

City of North Canton
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Trust Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$7,000	\$3,650	\$9,960	\$6,310
Expenditures				
Current:				
General Government:				
Legislative and Executive:				
City Council:				
Materials and Supplies	3,250	16,849	13,599	3,250
Security of Persons and Property:				
Police:				
Materials and Supplies	15,023	15,023	4,765	10,258
Fire:				
Materials and Supplies	2,338	2,838	2,766	72
Total Security of Persons and Property	17,361	17,861	7,531	10,330
Public Health and Welfare:				
E.M.S.:				
Materials and Supplies	1,070	570	270	300
Leisure Time Activities				
Park Department:				
Materials and Supplies	925	925	0	925
<i>Total Expenditures</i>	22,606	36,205	21,400	14,805
<i>Net Change in Fund Balance</i>	(15,606)	(32,555)	(11,440)	21,115
<i>Fund Balance Beginning of Year</i>	42,130	42,130	42,130	0
<i>Fund Balance End of Year</i>	\$26,524	\$9,575	\$30,690	\$21,115

City of North Canton
Schedule of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Insurance Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$1,000,000	\$1,000,000	\$981,957	(\$18,043)
Other	0	0	2,508	2,508
<i>Total Revenues</i>	1,000,000	1,000,000	984,465	(15,535)
Expenses				
Contractual Services	213,552	174,845	111,071	63,774
Claims	915,000	953,000	902,878	50,122
<i>Total Expenses</i>	1,128,552	1,127,845	1,013,949	113,896
<i>Net Change in Fund Equity</i>	(128,552)	(127,845)	(29,484)	98,361
<i>Fund Equity Beginning of Year</i>	207,868	207,868	207,868	0
Prior Year Encumbrances Appropriated	8,452	8,452	8,452	0
<i>Fund Equity End of Year</i>	\$87,768	\$88,475	\$186,836	\$98,361

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A black and white photograph of a wooden gazebo with a conical roof, situated on a pond. The gazebo has a railing and is surrounded by trees and foliage. In the foreground, several ducks are swimming in the water. The text "Statistical Section" is overlaid in the center of the image.

Statistical Section

City of North Canton, Ohio
*Governmental Activities Revenues by Source
and Expenses by Function
Last Three Years (1)*

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Program Revenues			
Charges for Services	\$833,365	\$725,523	\$785,969
Operating Grants and Contributions	532,454	555,201	444,747
Capital Grants and Contributions	200,034	170,000	0
General Revenues			
Property Taxes	1,264,521	1,235,911	1,166,057
Municipal Income Taxes	6,072,113	5,545,734	5,918,556
Intergovernmental	1,405,706	1,011,055	2,142,714
Interest	190,782	201,285	510,963
Other	137,593	65,061	76,875
Total	<u><u>\$10,636,568</u></u>	<u><u>\$9,509,770</u></u>	<u><u>\$11,045,881</u></u>
Expenses			
General Government	\$2,320,121	\$1,743,780	\$2,186,090
Security of Persons and Property:			
Police	2,989,872	2,731,715	2,729,059
Fire	698,556	619,487	544,630
Other	0	114,293	0
Public Health and Welfare	1,265,192	1,216,486	1,073,559
Transportation	2,406,573	3,791,505	2,711,933
Community Environment	312,279	302,185	297,363
Leisure Time Activities	1,100,428	1,086,524	1,004,002
Basic Utility Services	323,784	408,540	110,410
Interest and Fiscal Charges	40,583	13,344	0
Total	<u><u>\$11,457,388</u></u>	<u><u>\$12,027,859</u></u>	<u><u>\$10,657,046</u></u>

Source: City financial records

(1) The City has only reported on a full accrual basis of accounting since 2002.

City of North Canton, Ohio
*Governmental Revenues by Source
and Expenditures by Function (1)*
Last Ten Years

	2004	2003	2002	2001
Revenues				
Taxes (2)	\$7,306,072	\$6,885,984	\$7,044,991	\$6,502,582
Charges for Services	310,922	310,183	327,248	312,693
Licenses and Permits	108,151	123,536	101,617	118,623
Fines and Forfeitures	179,365	193,723	244,058	91,355
Intergovernmental	2,171,045	1,750,283	2,486,668	2,364,205
Special Assessments	0	0	0	0
Interest	162,281	181,586	510,963	835,486
Contributions and Donations	0	0	15,000	22,430
Ambulance Fees	233,047	98,081	113,046	121,875
Other	137,593	65,036	76,875	68,953
Total	\$10,608,476	\$9,608,412	\$10,920,466	\$10,438,202
Expenditures				
Current				
General Government (3)	\$1,985,704	\$5,862,598	\$1,861,834	\$1,758,108
Security of Persons and Property: (4)	N/A	N/A	N/A	2,884,587
Police	2,773,795	2,568,189	2,521,968	N/A
Fire	527,577	494,508	494,655	N/A
Other	0	114,293	0	N/A
Public Health and Welfare	1,191,434	1,159,512	1,071,837	921,120
Transportation	1,285,060	1,339,514	1,094,539	907,321
Community Environment	323,573	286,643	277,441	302,995
Leisure Time Activities	947,010	949,013	871,033	858,485
Basic Utility Services	130,038	114,688	150,837	25,009
Capital Outlay	2,873,416	3,255,013	2,202,853	3,171,010
Settlement Agreement	0	359,336	359,336	0
Debt Service:				
Interest and Fiscal Charges	12,833	13,344	0	0
Total	\$12,050,440	\$16,516,651	\$10,906,333	\$10,828,635

Source: City financial records

(1) Includes General, Special Revenue, Debt Service and Capital Projects funds.

(2) Includes All Taxes

(3) In 2003 the City bought a Golf Course for \$4.2 million.

(3) 2002 was the first year subcategories were identified for security of persons and property.

2000	1999	1998	1997	1996	1995
\$7,942,334	\$7,400,779	\$7,904,104	\$7,228,937	\$5,841,224	\$6,029,312
305,120	298,693	400,635	253,450	238,431	241,164
140,905	157,475	105,826	111,371	143,767	71,156
85,999	30,110	55,030	44,907	45,639	56,000
3,400,249	3,099,228	1,856,415	2,244,674	1,869,637	1,768,828
0	16,689	21,015	21,015	27,198	30,468
1,019,352	707,892	824,450	706,318	634,074	592,556
632,568	241,294	0	0	0	0
99,299	66,315	0	0	0	0
33,652	10,988	167,709	23,004	11,726	12,362
<u>\$13,659,478</u>	<u>\$12,029,463</u>	<u>\$11,335,184</u>	<u>\$10,633,676</u>	<u>\$8,811,696</u>	<u>\$8,801,846</u>
\$1,601,772	\$1,461,342	\$1,540,090	\$1,401,131	\$1,378,480	\$1,338,027
2,468,042	2,565,366	2,431,410	2,084,016	1,980,589	1,866,027
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
865,914	833,863	770,643	679,551	644,628	586,879
936,608	765,327	691,571	686,623	620,162	658,559
234,491	237,267	243,869	200,379	199,357	210,060
718,856	719,554	676,052	607,922	609,101	585,295
35,271	21,020	13,150	7,291	23,433	16,721
3,007,454	3,923,594	3,167,891	2,988,106	2,923,779	3,492,090
0	0	0	0	0	0
0	16,013	17,545	18,288	22,260	24,550
<u>\$9,868,408</u>	<u>\$10,543,346</u>	<u>\$9,552,221</u>	<u>\$8,673,307</u>	<u>\$8,401,789</u>	<u>\$8,778,208</u>

City of North Canton, Ohio
Real and Public Utility Property Tax Levies And Collections
Last Ten Years

Year	Total Tax Levy	Current Tax Collection (1)	Percent of Current Taxes Collected To Tax Levy	Delinquent Tax Collection	Total Tax Collections	Percent of Total Tax Collected To To Total Tax Levy
2004	\$1,456,096	\$1,414,519	97.14%	\$21,076	\$1,435,595	98.59%
2003	1,389,753	1,343,805	96.69	23,705	1,367,510	98.40
2002	1,337,631	1,277,950	95.54	21,724	1,299,674	97.16
2001	1,308,241	1,258,302	96.18	26,061	1,284,363	98.17
2000	1,194,376	1,137,052	95.20	19,721	1,156,773	96.85
1999	1,168,384	1,137,191	97.33	14,902	1,152,093	98.61
1998	1,155,471	1,127,992	97.62	13,862	1,141,854	98.82
1997	1,097,863	1,069,650	97.43	11,155	1,080,805	98.45
1996	1,102,115	1,063,795	96.52	22,686	1,086,481	98.58
1995	1,068,720	1,039,580	97.27	10,959	1,050,539	98.30

Source: Stark County, Ohio; County Auditor

- (1) Includes homestead/rollback taxes assessed locally but distributed through the State and reported as intergovernmental revenue.
- (2) Includes penalties and interest, since by Ohio Law, they become part of tax obligation as assessment occurs.

<u>Outstanding Delinquent Taxes (2)</u>	<u>Percent of Delinquent Taxes to Total Tax Levy</u>
\$20,501	1.41%
18,643	1.34
37,957	2.84
23,878	1.83
37,603	3.15
16,291	1.39
13,617	1.18
17,058	1.55
15,634	1.42
18,181	1.70

City of North Canton, Ohio
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Year	Real Property		Public Utility Property	
	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)
2004	\$343,239,470	\$980,684,200	\$10,721,710	\$12,183,761
2003	308,739,000	882,111,429	10,577,000	12,019,318
2002	295,860,000	845,314,286	10,192,000	11,581,818
2001	286,814,000	819,468,571	12,074,000	13,720,455
2000	242,773,000	693,637,143	12,079,000	13,726,136
1999	235,909,000	674,025,714	13,799,000	15,680,682
1998	231,869,000	662,482,857	13,823,000	15,707,955
1997	205,234,000	586,382,857	14,365,000	16,323,864
1996	202,098,000	577,422,857	15,108,000	17,168,182
1995	198,364,000	566,754,286	16,140,000	18,340,909

Source: Stark County, Ohio; County Auditor

- (1) This amount is calculated based on the following percentages:
 Real property is assessed at thirty-five percent of actual value.
 Public utility is assessed at twenty-five to eighty-eight percent of actual value.
 Tangible personal is assessed at twenty-five percent of true value for capital assets and twenty-three percent for true value for inventory included in tangible personal.

Tangible Personal Property		Total		Ratio
Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value	
\$31,315,868	\$125,263,472	\$385,277,048	\$1,118,131,433	34.46%
33,455,000	133,820,000	352,771,000	1,027,950,747	34.32
32,029,000	128,116,000	338,081,000	985,012,104	34.32
30,382,000	121,528,000	329,270,000	954,717,026	34.49
28,524,000	114,096,000	283,376,000	821,459,279	34.50
28,719,000	114,876,000	278,427,000	804,582,396	34.61
28,023,000	112,092,000	273,715,000	790,282,812	34.64
29,170,000	116,680,000	248,769,000	719,386,721	34.58
29,318,000	117,272,000	246,524,000	711,863,039	34.63
27,081,000	108,324,000	241,585,000	693,419,195	34.84

City of North Canton, Ohio
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Valuation)
Last Ten Years

City of North Canton						
Collection Year	General	Fire	Emergency Medical Service	Street	Storm Sewer	Total City
2004	\$2.40	\$0.50	\$1.00	\$1.00	\$1.00	\$5.90
2003	2.40	0.50	1.00	1.00	1.00	5.90
2002	2.40	0.50	1.00	1.00	1.00	5.90
2001	2.40	0.50	1.00	1.00	1.00	5.90
2000	2.40	0.50	1.00	1.00	1.00	5.90
1999	2.40	0.50	1.00	1.00	1.00	5.90
1998	2.40	0.50	1.00	1.00	1.00	5.90
1997	2.40	0.50	1.00	1.00	1.00	5.90
1996	2.40	0.50	1.00	1.00	1.00	5.90
1995	2.40	0.50	1.00	1.00	1.00	5.90

Source: Stark County, Ohio; County Auditor

<u>Stark County</u>	<u>North Canton City School District</u>	<u>North Canton Library</u>	<u>Township</u>	<u>Total Direct and Overlapping Governments</u>
\$12.00	\$65.50	\$0.50	\$0.10	\$84.00
10.10	65.50	0.50	0.10	82.10
10.10	65.50	0.50	0.10	82.10
10.10	61.10	0.50	0.10	77.70
10.10	61.20	0.50	0.10	77.80
10.10	61.90	0.50	0.10	78.50
10.10	61.90	0.50	0.10	78.50
9.80	61.90	0.50	0.10	78.20
10.30	61.90	0.50	0.10	78.70
8.40	61.90	0.50	0.10	76.80

City of North Canton, Ohio
Special Assessment Levies and Collections
Last Ten Years

Year	Total Assessments Billed	Total Assessments Collected	Percentage of Total Collections to Current Levy	Accumulative Delinquency
2004	\$0	\$0	0.00%	\$0
2003	0	0	0.00	0
2002	2,243	2,243	100.00	0
2001	1,866	1,792	96.03	74
2000	2,621	2,371	90.46	250
1999	16,228	16,689	102.84	0
1998	21,476	21,015	97.85	461
1997	21,881	21,015	96.04	866
1996	23,291	22,260	95.57	1,031
1995	31,613	30,468	96.38	1,145

Source: Stark County, Ohio; County Auditor

City of North Canton, Ohio
General Bonded Debt

The City of North Canton has not had any general bonded debt for more than ten years; therefore, no ratio of net general bonded debt to assessed value and net bonded debt per capita and no ratio of annual debt services for general bonded debt to total general fund expenditures are presented in the City's statistical tables.

City of North Canton, Ohio
Computation of Legal Debt Margin
December 31, 2004

Assessed Valuation	<u><u>\$385,277,048</u></u>
Overall Debt Limitation 10.5% of Assessed Valuation	\$40,454,090
Real Estate Acquisition Note	<u>(1,800,000)</u>
Overall Debt Margin Within 10.5% Limitation	<u><u>\$38,654,090</u></u>
Unvoted Debt Limitation - 5.5% of Assessed Valuation	\$21,190,238
Real Estate Acquisition Note	<u>(1,800,000)</u>
Unvoted Debt Margin Within 5.5% Limitation	<u><u>\$19,390,238</u></u>

Source: City of North Canton, Ohio, Department of Finance

City of North Canton, Ohio
Computation of Overlapping General Obligation Bonded Debt
December 31, 2004

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Amount Applicable to City of North Canton</u>
Overlapping:			
Jackson Local School District	\$79,933,518	0.43 %	\$343,714
North Canton City School District	16,394,795	51.61	8,461,354
Plain Local School District	62,069,913	6.07	3,767,644
Stark County Library	<u>6,540,000</u>	1.24	<u>81,096</u>
<i>Total</i>	<u><u>\$164,938,226</u></u>		<u><u>\$12,653,808</u></u>

Source: Stark County, Ohio; County Auditor

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the City by the assessed valuation of the political subdivision.

City of North Canton, Ohio
Construction and Bank Deposits
Last Ten Years

Year	Commercial Construction (1)		Residential Construction (1)		Bank Deposits (in thousands) (2,3,4)
	Number of Building Permits	Dollar Value of Building Permits	Number of Building Permits	Dollar Value of Building Permits	
2004	71	\$7,516,171	408	\$15,055,863	\$2,081,380
2003	82	13,056,956	389	14,385,970	2,197,639
2002	99	3,342,641	413	15,464,205	2,153,245
2001	97	13,464,027	320	13,758,743	1,029,891
2000	101	19,727,804	421	14,704,616	1,021,596
1999	69	15,805,041	420	23,429,735	916,844
1998	31	7,182,504	387	15,524,616	843,638
1997	31	13,283,305	426	7,172,166	1,623,273
1996	23	22,381,394	415	12,087,768	1,570,223
1995	21	3,517,573	431	5,687,075	1,589,558

Sources: Stark County, Ohio; County Auditor
City building permits reports
Federal Reserve Bank of Cleveland

- (1) Represents total real property assessed value for the City
- (2) Increase in 1995 is due to Citizens National Bank becoming a single Charter.
- (3) Decrease in 1998 is due to Citizens National Bank's headquarters relocating.
- (4) Increase in 2002 is due to United Bank and First National Bank of Zanesville merging to become Unizan Bank & Trust.

City of North Canton, Ohio
Principal Taxpayers - Real Property
December 31, 2004

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percent of Assessed Value</u>
Maytag Corporation - Hoover Company	\$8,474,000	2.47%
Versailles Gardens	4,000,680	1.17
McKinley Development Leasing Company Ltd.	3,349,040	0.98
Albrecht Incorporated	2,203,010	0.64
Potsdamer Platz LLC	2,096,990	0.61
Waterford at Saint Luke	2,029,980	0.59
Berlin Commons Ltd.	1,783,830	0.52
Williamsburg Apartments Ltd.	1,597,480	0.47
CETA Group Limited Partnership	1,404,100	0.41
Euro Development Ltd.	<u>1,284,990</u>	<u>0.37</u>
<i>Totals</i>	<u><u>\$28,224,100</u></u>	<u><u>8.23%</u></u>
Assessed Valuation	<u><u>\$343,239,470</u></u>	

Source: Stark County, Ohio; County Auditor

City of North Canton, Ohio
Principal Taxpayers - Tangible Personal Property
December 31, 2004

Taxpayer	Assessed Value	Percent of Assessed Value
Maytag Corporation - Hoover Company	\$19,904,850	63.56%
Mullinax Ford North Canton, Inc.	2,326,900	7.43
Kmart Corporation	616,120	1.97
Time Warner Entertainment Company	563,960	1.80
Willis Motor Company	477,090	1.52
Marc Glassman Inc.	452,110	1.44
Fred W. Albrect Grocery Company	440,480	1.41
Spitzer Chevrolet Company	367,030	1.17
Key Corporate Capital, Inc.	336,050	1.07
Stark County MRI, Inc.	<u>317,790</u>	<u>1.01</u>
<i>Totals</i>	<u><u>\$25,802,380</u></u>	<u><u>82.38%</u></u>
Assessed Valuation	<u><u>\$31,315,868</u></u>	

Source: Stark County, Ohio; County Auditor

City of North Canton, Ohio
Principal Taxpayers - Public Utility Property
December 31, 2004

Taxpayer	Assessed Value	Percent of Assessed Value
Ohio Bell Telephone	\$5,288,070	49.32%
Ohio Power Company	4,379,450	40.85
East Ohio Company	628,570	5.86
<i>Totals</i>	<u>\$10,296,090</u>	<u>96.03%</u>
Assessed Valuation	<u>\$10,721,710</u>	

Source: Stark County, Ohio; County Auditor

City of North Canton, Ohio

Demographic Statistics

Last Ten Years

<u>Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Stark County Unemployment Rate</u>
2004	16,722	4,980	6.60%
2003	16,722	4,933	6.50
2002	16,369	4,872	5.50
2001	16,369	4,654	4.00
2000	16,369	4,714	3.80
1999	15,750	4,635	4.50
1998	15,750	4,630	4.10
1997	15,740	4,472	4.80
1996	15,736	4,346	5.40
1995	15,735	4,254	5.00

Sources: Federal 2000 Census and United States Census Bureau
Federal 2003 Population Estimate United States Census Bureau
Stark County Planning Commission
North Canton Board of Education
Ohio Bureau of Employment Services

City of North Canton, Ohio

Miscellaneous Statistics

December 31, 2004

Date of Incorporation	1962
Form of Government	Mayor-Administrator-Council
Area:	6.54 Square Miles 4,186 Acres
Miles of Streets	93.70
Number of Street Lights	1,149
Number of Traffic Lights	25
Emergency Medical Service:	
Number of Stations	1
Number of Technicians and Officers:	
Full-Time	9
Part-Time	25
Fire Protection:	
Number of Stations	1
Number of Firemen and Officers:	
Full-Time	4
Part-Time	25
Police Protection:	
Number of Stations	1
Number of Policemen and Officers:	
Full-Time	25
Part-Time	3
Employees:	
Full-Time	112
Part-Time	78
Municipal Water Department:	
Number of Consumers	8,540
Miles of Water Mains	126.27
Average Daily Gallons Sold Per Consumer	289.13
Sewers:	
Number of Sanitary Sewer Customers	6,175
Miles of Sanitary Sewers	62.48
Miles of Storm Sewers	47.41

(continued)

City of North Canton, Ohio
Miscellaneous Statistics (continued)
December 31, 2004

Building Permits Issued:	
Residential	408
Commercial	71
Recreation and Culture:	
Number of Parks	11
Acres	191.35
Number of Public Libraries	1
Number of Volumes:	
Book Volumes	101,159
Compact Disc Recordings	7,818
Video Cassetts/DVD's	18,016
Compact Disc ROMS	1,025
Education:	
Attendance Centers	7
Number of Classrooms	287
Number of Administrators	27
Number of Teachers	336
Number of Students	4,980

Source: City Records



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**CITY OF NORTH CANTON
STARK COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 27, 2005**