

**Auditor of State
Betty Montgomery**

CITY OF NORTH CANTON
STARK COUNTY

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of North Canton
Stark County
145 North Main Street
North Canton, Ohio 44720-2587

To the Honorable Mayor and City Council:

We have audited the financial statements of the City of North Canton, Stark County, Ohio, (the City) as of and for the year ended December 31, 2003, and have issued our report thereon dated June 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted a certain immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated June 15, 2004.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 15, 2004.

City of North Canton
Stark County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

June 15, 2004

CITY OF NORTH CANTON, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2003

Julie Herr
Finance Director

Prepared by the City Finance Department

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Introductory Section

City of North Canton, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2003
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City of NORTH CANTON, OHIO

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

June 15, 2004

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, 2003, 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 the new 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 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 18 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 6.37 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 2003, 82 commercial building permits were issued for a total value of \$13,056,956. Walsh University began two major construction projects in 2003. The first project is a new 30,000 square foot science facility valued at \$4.3 million. This building is slated to open in January 2005. The second project is a 140 bed residence hall also valued at \$4.3 million. It is scheduled for completion in 2004.

Development of the Washington Square retail and commercial area of the City continued on into 2003 with the construction of a 3,750 square foot office building. Other new commercial projects underway in 2003 include a \$1.4 million, 21,000 square foot gymnasium for St Paul's Church, a drive-in restaurant valued at \$540,000, and a new 5,700 square foot office building valued at almost \$400,000.

During 2003, a total of 55 new single family home permits were issued at a value of approximately \$12 million. Most of these new permits are for the City's two newest housing developments, Washington Square and Monticello.

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 six commercial and one residential CRA agreements in place. A seventh commercial agreement was approved in January 2004. Also in 2004, the City created a second CRA known as the Valley View 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 2003.

MAJOR INDUSTRY AFFECTING LOCAL ECONOMY

2003 and early 2004 brought both positive and negative news from the City's largest employer, the Hoover Company. During the summer of 2003, hundreds of production workers were laid off and salaried positions were eliminated. However, by the end of 2003, a majority of the production workers had been brought back. In addition, another production line was transferred from an outside location to the North Canton plant. At the end of 2003, union workers agreed to concessions and approved a contract extension through June 2008 which will guarantee the company's presence in North Canton at least through June 2008. During the first quarter of 2004, the Hoover Company laid off an additional 350 employees related to the production of the Elite line of vacuums. However, future plans include bringing new production lines to North Canton.

In other news relating to the Hoover Company, the City made the last of three installment payments under the settlement agreement with Maytag Corporation, the parent company of the Hoover Company. This agreement resulted in the amendment of City income tax returns being filed on a consolidated basis, rather than a single company basis. It resulted in the payback of \$1,078,008 over a three-year period to Maytag. In addition, there is an estimated credit of \$2 million that will have to be paid back in late 2004 or early 2005. This credit has been recorded as a settlement agreement payable. See Note 15 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 the current and 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 that the wells tested clean. In order to obtain EPA approval to use this well field, it will have to be tested on a quarterly basis over a 12-month period. The first two quarterly tests were taken in 2003 which showed no contamination. The remaining two quarterly tests will be taken in the first half of 2004. The City is anticipating approval of the well and is going forward with the completion of the raw waterline in 2004.

In July 2003, the City acquired the premises formerly known as Arrowhead Country Club for \$4.2 million. The City's intent is to maintain control over the land, preserve "green" space, and to keep a beautifully maintained facility operating for the enjoyment of its citizens. This area, approximately 105 acres, includes a golf course, clubhouse and pool. In September 2003, after a careful review of submitted proposals, the City hired a golf course operator to manage the property on behalf of the City as a public facility. In December 2003, the City entered into a 5-year lease agreement with the operator. Along with the change in management, the name of the property was changed to the "Fairways of North Canton".

In April 2003, construction began on the long awaited improvements and upgrades to the City's water treatment plant. 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 Environmental Agency through the Water Supply Revolving Loan Account for a 20-year period with payments to begin in 2005.

The City continued its commitment to fund infrastructure projects. These projects include road resurfacing, curbs, gutters, water and sanitary lines. The City entered into contracts for several major infrastructure projects during 2003, including the Middlesworth Subdivision Rehabilitation, Portage and Ream Street improvements, Janet Avenue improvements, and numerous other waterline projects.

In 2002, the City entered into an agreement with Stark County for the purposes of improving South Main Street and Everhard Road. The County is paying 50 percent of the local share of the cost as the project includes the improvement of a bridge under the maintenance jurisdiction of the County. The total cost of the project is estimated at \$2.0 million, of which 80 percent of the construction costs will be funded by federal Surface Transportation Program funds. The City has also applied for \$410,000 in Ohio Public Works Commission funds to be equally divided between the City and the County to use towards its 20 percent local share. Engineering for the project began in 2002 and continued into 2003. Right of way acquisition is expected to begin in 2004 with construction planned for 2005.

In May 2003, the City began the process of annexing new land into the City by entering into the City's first Cooperative Economic Development Agreement (CEDA) between the City, Plain Township Board of Trustees and a local developer. The land to be annexed is approximately 107 acres and is currently located in Plain Township. This land is intended to be developed for residential and multi-family housing under the development name of "The Villages at the Sanctuary". However, the plan for the annexation has been put on hold due to a referendum petition that has been filed. This issue may go before the voters in the November 2004 election.

The success of the City's curbside recycling program continued on into 2003. The City received a \$60,000 grant from the Tri-County Solid Waste District to help fund the recycling program. Also in 2003, the City expanded the current recycling program by offering leaf recycling to its residents, at no additional cost. The leaf recycling program was partially funded by a grant from the Tri-County Solid Waste District. In addition, the City used grant funds to purchase the leaf recycling bags for its residents.

Major equipment purchases in 2003 include: four police cruisers at a total cost of \$86,595; a new radio console for the Police Dispatchers at a cost of \$96,883; a one ton dump truck for the Street Department at a cost of \$74,934; and a sewer television camera van at a cost of \$152,145.

Future Projects

In December 2003, bids were opened for the construction of the expansion phase of the water treatment plant. The expansion, once completed, will increase the capacity of the plant to 8.7 million gallons per day. Also in December 2003, the City was approved for a second low-interest rate loan through the Water Supply Revolving Loan Account to fund this project. The total loan is estimated to be approximately \$3.2 million. Construction of the expansion began in March 2004.

In March 2004, the City entered into a grant agreement with the United States Environmental Protection Agency for a 2003 Special Appropriations Project in the amount of \$867,300. This grant will be used to fund a portion of the water treatment plant expansion noted above.

As mentioned previously, the City will begin the completion of the raw waterline to the East Maple well field in 2004. The cost is estimated to be approximately \$1.25 million and will be funded through short-term notes.

In 2004, the City committed over \$5.0 million in funds for various infrastructure projects, including \$1.0 million for Phase 2 of the Middlesworth subdivision rehabilitation, \$675,000 for the BelAir water, street, storm and sewer improvements, and \$359,000 for various storm drainage projects.

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 Control

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 by 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 fiscal year. Council is required to adopt the appropriation ordinance (the budget) within ninety days of the beginning of the fiscal 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 second 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 2003 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 Company Insurance. Premiums for the policy period of April 15, 2003 through April 15, 2004 totaled \$134,026.

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, major medical, hospitalization, dental, prescription drugs, and optical benefits 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, 2003, 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, 2002. 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 fifteen consecutive years (1988-2002). 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 sixteenth 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.

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,

A handwritten signature in black ink, appearing to read "Julie A. Herr", with a long horizontal flourish extending to the right.

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, 2002

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.



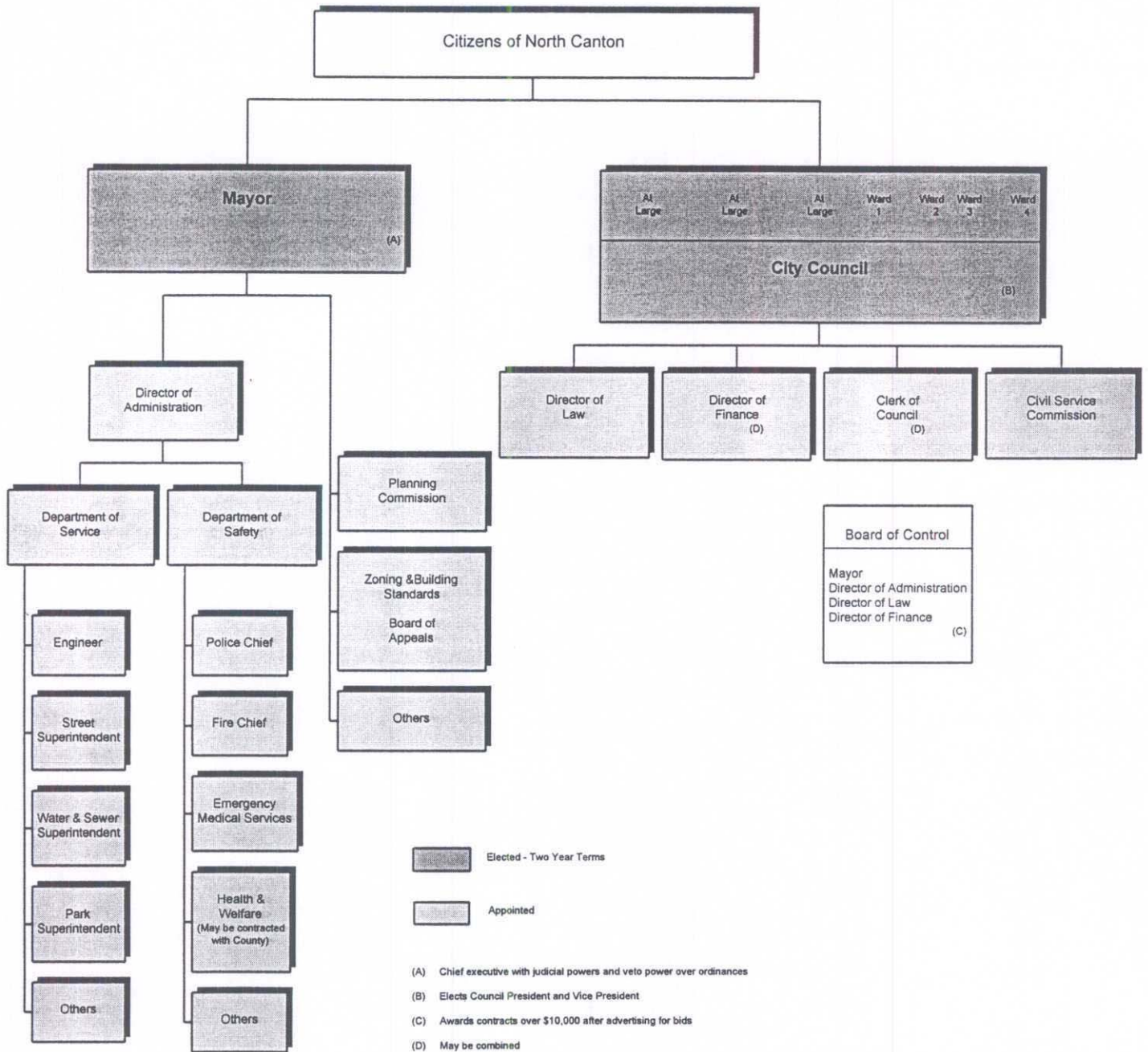
President

Executive Director

The City of North Canton, Ohio

Charter Government

Organizational Chart



**CITY OF NORTH CANTON
LIST OF PRINCIPAL OFFICIALS
AS OF DECEMBER 31, 2003**

ELECTED CITY OFFICIALS

MAYOR

HONORABLE THOMAS RICE

CITY COUNCIL

JON F. SNYDER, PRESIDENT
WARD 4

MARCIA KIESLING, AT-LARGE

GREGORY SARBACH, AT-LARGE

DANIEL J. PETERS, 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

DAVID J. HELD

DIRECTOR OF LAW

PAUL J. PUSATERI

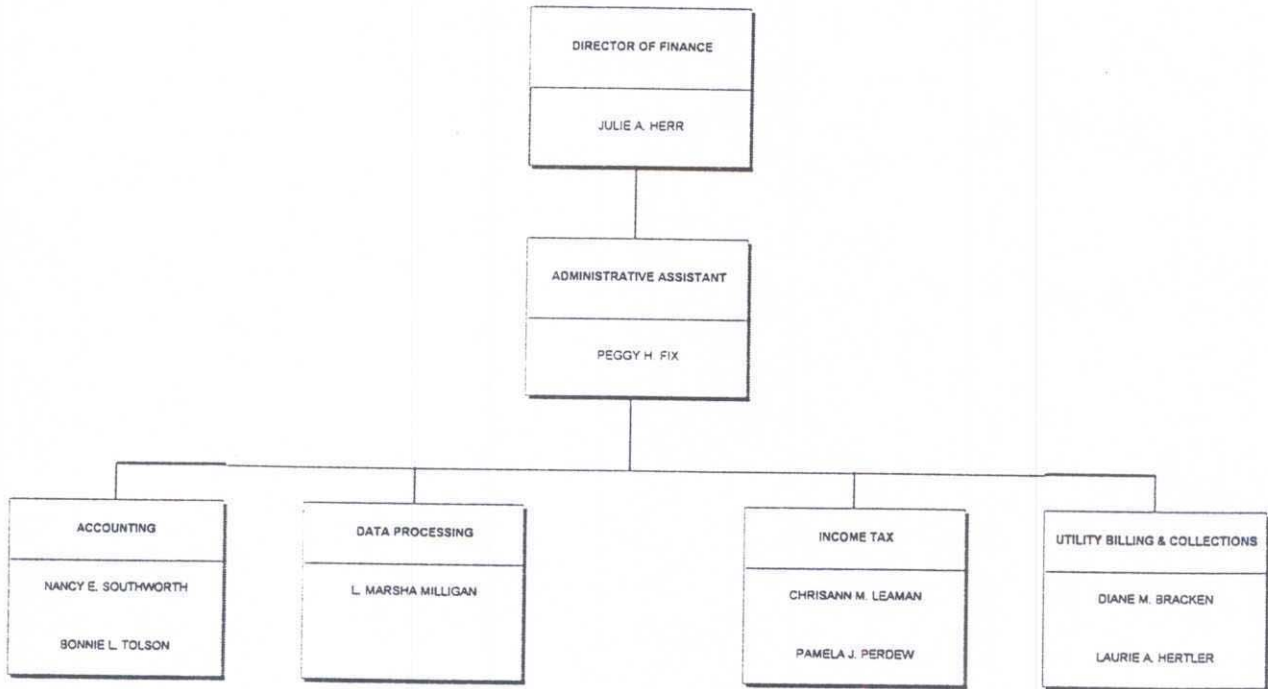
CLERK OF COUNCIL

MARY LOUISE BITTLE

The City of North Canton, Ohio

Department of Finance

Organizational Chart



Financial Section



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of North Canton
Stark County
145 North Main Street
North Canton, Ohio 44720-2587

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, 2003, 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Special Revenue Street Construction Maintenance and Repair Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund statements and schedules and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining nonmajor fund statements and schedules 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 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.



Betty Montgomery
Auditor of State

June 15, 2004

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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, 2003. 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 2003 are as follows:

- Total Net Assets decreased \$1,899,112 from 2002. Net Assets of governmental activities decreased \$2,518,114 from 2002, a decrease of 7.3 percent. Net Assets of business-type activities increased \$619,002 over 2002, an increase of 3.0 percent.
- Total Assets of the City increased \$4,759,614 or 7.5 percent above the 2002 level.
- Total Liabilities of the City increased \$6,658,726. This is an increase of 77.3 percent from the previous year.
- Total Capital Assets increased \$8,369,763, an increase of 20.9 percent over 2002.
- Total Outstanding Debt increased \$5,960,864, an increase of 130.42 percent over 2002.

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 2003 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, 2003
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 seventeen 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, some provide for streets, some provide for emergency medical service, some for water service, and some for sewer service. There are funds that also provide for the purchase of capital assets and infrastructure. One fund 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, the 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 2003 as they compare to 2002.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$15,817,831	\$20,286,291	\$4,050,927	\$3,192,616	\$19,868,758	\$23,478,907
Capital Assets, Net	23,859,290	19,705,944	24,655,046	20,438,629	48,514,336	40,144,573
Total Assets	39,677,121	39,992,235	28,705,973	23,631,245	68,383,094	63,623,480
Liabilities						
Current and Other Liabilities	4,643,629	2,131,495	2,542,908	1,746,764	7,186,537	3,878,259
Long-Term Liabilities:						
Due Within One Year	258,888	499,469	123,555	145,339	382,443	644,808
Due in More than One Year	2,981,946	3,050,499	4,718,583	1,037,217	7,700,529	4,087,716
Total Liabilities	7,884,463	5,681,463	7,385,046	2,929,320	15,269,509	8,610,783
Net Assets						
Invested in Capital Assets						
Net of Debt	21,759,290	19,705,944	18,375,752	18,341,581	40,135,042	38,047,525
Restricted:						
Capital Projects	2,246,120	2,709,155	0	0	2,246,120	2,709,155
Street Construction Maintenance and Repair	305,021	251,501	0	0	305,021	251,501
Fire Operations	3,535	26,322	0	0	3,535	26,322
Emergency Medical Services	2,924	51,669	0	0	2,924	51,669
Computer	23,557	19,704	0	0	23,557	19,704
Storm Sewer	92,479	86,555	0	0	92,479	86,555
Donations for Supplies	30,181	24,827	0	0	30,181	24,827
Other Purposes	7,914	10,179	0	0	7,914	10,179
Unrestricted	7,321,637	11,424,916	2,945,175	2,360,344	10,266,812	13,785,260
Total Net Assets	\$31,792,658	\$34,310,772	\$21,320,927	\$20,701,925	\$53,113,585	\$55,012,697

Total assets increased in 2003 by \$4,759,614. This increase was the result of an increase in capital assets of \$8,369,763 which was offset by a decrease in current assets of \$3,610,149. Total assets from business type activities increased by \$5,074,728, of which \$4,216,417 was due to an increase in capital assets. Capital assets increased as a result of major improvements and upgrades to the City's 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 \$6,658,726 in 2003. Total liabilities of governmental activities increased by \$2,203,000, while liabilities of business-type activities increased by \$4,455,726. The increase in governmental activities liabilities was due to the issuance of short term debt to finance the purchase of the property formerly known as Arrowhead Country Club. The increase in liabilities of business-type activities is attributed to long term debt the City assumed to fund the improvements to the Water Treatment Plant.

Total net assets decreased by \$1,899,112. This is a result of an increase in total assets offset by an even larger increase in total liabilities.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 2 shows the changes in net assets for the year ended December 31, 2003 for both our Governmental activities and our Business-Type activities. Since this is the second year the City has prepared financial statements following GASB Statement 34, revenue and expense comparisons can be made between the years 2002 and 2003.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues						
Program Revenues:						
Charges for Services	\$725,523	\$785,969	\$6,052,914	\$6,062,635	\$6,778,437	\$6,848,604
Operating Grants and Contributions	555,201	444,747	60,000	72,734	615,201	517,481
Capital Grants	170,000	0	929,336	451,754	1,099,336	451,754
General Revenues:						
Property Taxes	1,235,911	1,166,057	0	0	1,235,911	1,166,057
Municipal Income Taxes	5,545,734	5,918,556	0	0	5,545,734	5,918,556
Grants and Entitlements	1,011,055	2,142,714	0	0	1,011,055	2,142,714
Interest	201,285	510,963	4,951	9,282	206,236	520,245
Other	65,061	76,875	31,534	58,618	96,595	135,493
Total Revenues	9,509,770	11,045,881	7,078,735	6,655,023	16,588,505	17,700,904
Program Expenses						
General Government	1,743,780	2,186,090	0	0	1,743,780	2,186,090
Security of Persons and Property						
Police	2,731,740	2,729,059	0	0	2,731,740	2,729,059
Fire	619,487	544,630	0	0	619,487	544,630
Other	114,293	0	0	0	114,293	0
Public Health and Welfare	1,216,486	1,073,559	0	0	1,216,486	1,073,559
Transportation	3,791,505	2,711,933	0	0	3,791,505	2,711,933
Community Environment	302,185	297,363	0	0	302,185	297,363
Leisure Time Activities	1,086,524	1,004,002	0	0	1,086,524	1,004,002
Basic Utility Services	408,540	110,410	0	0	408,540	110,410
Interest	13,344	0	0	0	13,344	0
Water Revenue	0	0	3,845,882	3,205,456	3,845,882	3,205,456
Sewer Revenue	0	0	2,008,828	1,825,042	2,008,828	1,825,042
Garbage Service	0	0	605,023	634,401	605,023	634,401
Total Expenses	12,027,884	10,657,046	6,459,733	5,664,899	18,487,617	16,321,945
<i>Increase(Decrease) in Net Assets</i>	<i>(2,518,114)</i>	<i>388,835</i>	<i>619,002</i>	<i>990,124</i>	<i>(1,899,112)</i>	<i>1,378,959</i>
Net Assets Beginning of Year	34,310,772	33,921,937	20,701,925	19,711,801	55,012,697	53,633,738
Net Assets End of Year	<u>\$31,792,658</u>	<u>\$34,310,772</u>	<u>\$21,320,927</u>	<u>\$20,701,925</u>	<u>\$53,113,585</u>	<u>\$55,012,697</u>

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, 2003
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 100 percent of the tax. On a full accrual basis, the City received income tax revenues of \$5,545,734. According to the City's Income Tax Ordinance, fifty percent of current income tax revenues are allocated to the permanent improvement fund whereas the remainder is used to support general fund activities along with fire, EMS, and street maintenance and repair activities. The transferring of 50 percent of income tax revenues to the permanent improvement fund 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 23 percent and 32 percent, respectively, of the total governmental activities expenses. 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 2003, the City operated a fire department with a full-time Chief, three full-time fire inspectors/fire-fighters, and 26 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 beginning in 2003, was under the direction of the Chief of Fire. The department has nine full-time paramedic/EMT's, three of whom are Captains. The remainder of the staffing needs is met by 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. These revenues, which amounted to \$98,081 in 2003, are reported under ambulance fees. 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 8,213 customers which includes residents of the City as well as outside-City customers. Of the total 8,213 customers, 6,030 are inside the City, and 2,183 are outside the City. The City's water rate for inside residential customers starts at \$2.75 per thousand gallons, while rates for outside residential customers start at \$5.50 per thousand gallons.

The City's water treatment plant treats an average of 3.5 million gallons 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 water treatment plant began in 2003. The total project cost is estimated at approximately \$7.2 million. Design plans to expand the water treatment plant were also completed in 2003 with construction to begin in 2004. This expansion will increase the capacity of the water treatment plant to 8.7 million gallons per day.

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 5,890 sewer customers. Residential customers pay a flat sewer fee of \$15.00 while business customers pay a minimum rate of \$10.50 for 5,000 gallons and then \$2.10 for each additional 1,000 gallons.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

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

The revenues and expenses for all three of these utilities are reported under the Business Type Activities on Table 2. The revenues come primarily from charges for services. In 2003, charges for services of \$6,052,914 accounted for 86 percent of the program revenues. The total expenses for the utilities were \$6,459,733, leaving an excess of revenue over expense of \$619,002 for the Business-Type Activities.

The City's Funds

Information about the City's funds begins on page 16. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$9,608,412 and expenditures of \$16,516,651. The City's general fund reflected a decrease in fund balance of \$6,366,002; however the ending fund balance of \$7,527,228 is more than ample to meet this time of lower revenues. Overall, the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

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 2003 there were five 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.

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 \$8,286,549 and actual revenue collections were \$8,654,829. The majority of the increase in actual revenue over the original and final budgeted amounts is due to estate taxes and income taxes. Original and final budgeted expenditures were \$6,901,105 and \$11,026,142 respectively, and increase of \$4,125,037. This increase is due to the purchase of the property formerly known as Arrowhead Country Club for \$4.2 million in July 2003. The City's ending unencumbered cash balance in the general fund was \$1,329,433 above the final budgeted amount.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Capital Assets and Debt Administration

Capital Assets

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

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$4,418,867	\$2,628,853	\$602,367	\$602,367	\$5,021,234	\$3,231,220
Construction in Progress	0	14,251	4,854,368	1,216,425	4,854,368	1,230,676
Buildings	3,872,738	1,770,160	2,696,359	2,879,526	6,569,097	4,649,686
Equipment	1,969,790	1,899,914	1,008,869	825,554	2,978,659	2,725,468
Infrastructure						
Streets	9,197,300	9,156,974	0	0	9,197,300	9,156,974
Water Lines	0	0	10,988,311	10,383,944	10,988,311	10,383,944
Storm Sewers	4,304,646	4,134,101	0	0	4,304,646	4,134,101
Sewer Lines	0	0	4,504,772	4,530,813	4,504,772	4,530,813
Bridges	95,949	101,691	0	0	95,949	101,691
<i>Totals</i>	<u>\$23,859,290</u>	<u>\$19,705,944</u>	<u>\$24,655,046</u>	<u>\$20,438,629</u>	<u>\$48,514,336</u>	<u>\$40,144,573</u>

Total Capital Assets for the City of North Canton for the year ended December 31, 2003 was \$48,514,336 which is an increase of \$8,369,763 over the 2002 figure of \$40,144,573. The majority of this increase was due to projects under the business-type activities. Several projects have been added as Construction in Progress in 2003, including the construction of upgrades and improvements to the water treatment plant, the engineering and design of the water treatment plant expansion, and the improvements to one of the City's two water towers. Capital assets under governmental activities also increased significantly due to the purchase of the 105-acre property formerly known as Arrowhead Country Club. See Note 10 in the financial statements for more information regarding the City's capital assets.

Debt

The outstanding debt for the City of North Canton as of December 31, 2003 was \$10,531,374. This balance reflects an increase of \$5,960,864 from the previous year's balance of \$4,570,510, an increase of 130.42 percent.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 4
 Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Settlement Agreement Payable	\$2,058,315	\$2,473,462	0	0	\$2,058,315	\$2,473,462
Notes Payable	2,100,000	0	1,875,000	1,250,000	3,975,000	1,250,000
OWDA Payable	0	0	4,498,059	847,048	4,498,059	847,048
<i>Total</i>	<u>\$4,158,315</u>	<u>\$2,473,462</u>	<u>\$6,373,059</u>	<u>\$2,097,048</u>	<u>\$10,531,374</u>	<u>\$4,570,510</u>

The settlement agreement payable recorded in the governmental activities is for the income tax refund payable to Maytag Corporation. This will be retired in 2005.

The notes payable recorded in the governmental activities is for the purchase of land. The notes payable in the business-type activities is for water system improvements.

The OWDA debt under the business type activities is the combination of two separate loans, both 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. See Notes 14 and 15 for additional information.

Current Financial Issues

The City of North Canton continues to grow. Over the last ten years, income tax collections have increased approximately 34 percent, or an average of almost 3.4 percent per year. As fifty percent of our income tax collections are directed to capital improvements, the City has been able to accomplish numerous street improvement projects, including our Main Street Streetscape project, without incurring debt.

The City continues to seek growth through annexation. In 2003, the City entered into a Cooperative Economic Development Agreement (CEDA) with the Plain Township Board of Trustees and a local developer to facilitate the annexation of 107 acres of land which will eventually be developed as a housing development containing approximately 200 homes and 200 multi-family units. However, this process has been put on hold as a referendum petition on the annexation has been filed and the issue may go before the voters in the upcoming election.

In light of the recent economy, the City has also made a conscious effort to keep operating expenses within previous year's levels. An example of this effort is the Administrations' decision, with full support of Council, to combine the City's fire and EMS departments in 2003. These departments now report to one chief and pool their labor resources where possible. The goal is to increase the efficiency of the departments as well as eliminate personnel costs by eliminating one of the chief positions and reducing overtime.

During 2003, City Administration made a priority the review of our current fee schedules to determine if the various rates we currently charge are adequate, considering our current operations. As a result, civic center and park shelter rental fees along with swimming pool fees were increased in 2003.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

As we go into 2004, the City continues to investigate other mechanisms to generate revenue. One result is the City's decision to charge transport fees to residents in addition to the non-residents it currently charges for ambulance service. This additional revenue will help lessen the burden on the City's general fund.

In 2003, the City applied for a special appropriations grant from the U.S. Environmental Protection Agency in the amount of \$867,300. This grant is to fund a portion of the costs for the City's water treatment plant expansion. The grant was officially awarded to the City in 2004.

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 sixteenth Comprehensive Annual Financial Report. We will be submitting our 2003 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 website at www.northcantonohio.com.

BASIC FINANCIAL

STATEMENTS

City of North Canton, Ohio
Statement of Net Assets
December 31, 2003

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and Cash Equivalents	\$12,496,768	\$3,187,722	\$15,684,490
Cash and Cash Equivalents In Segregated Accounts	30,436	0	30,436
Materials and Supplies Inventory	67,622	45,887	113,509
Accrued Interest Receivable	23,012	0	23,012
Accounts Receivable	97,360	681,925	779,285
Intergovernmental Receivable	933,919	0	933,919
Prepaid Items	29,349	14,473	43,822
Property Taxes Receivable	1,235,301	0	1,235,301
Municipal Income Taxes Receivable	931,219	0	931,219
Internal Balances	(27,155)	27,155	0
Deferred Charges	0	93,765	93,765
Nondepreciable Capital Assets	4,418,867	5,456,735	9,875,602
Depreciable Capital Assets, Net	19,440,423	19,198,311	38,638,734
<i>Total Assets</i>	<u>39,677,121</u>	<u>28,705,973</u>	<u>68,383,094</u>
Liabilities			
Accounts Payable	20,928	20,668	41,596
Contracts Payable	636,682	82,118	718,800
Accrued Wages	319,031	74,833	393,864
Intergovernmental Payable	235,071	127,658	362,729
Deferred Revenue	1,221,909	0	1,221,909
Claims Payable	96,664	0	96,664
Accrued Interest Payable	13,344	46,631	59,975
Notes Payable	2,100,000	1,875,000	3,975,000
Settlement Agreement Payable	0	316,000	316,000
Long-Term Liabilities:			
Due Within One Year	258,888	123,555	382,443
Due In More Than One Year	2,981,946	4,718,583	7,700,529
<i>Total Liabilities</i>	<u>7,884,463</u>	<u>7,385,046</u>	<u>15,269,509</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	21,759,290	18,375,752	40,135,042
Restricted for:			
Capital Projects	2,246,120	0	2,246,120
Street Construction, Maintenance and Repair	305,021	0	305,021
Fire Operations	3,535	0	3,535
Emergency Medical Services	2,924	0	2,924
Computer	23,557	0	23,557
Storm Sewer	92,479	0	92,479
Donations for Supplies	30,181	0	30,181
Other Purposes	7,914	0	7,914
Unrestricted	7,321,637	2,945,175	10,266,812
<i>Total Net Assets</i>	<u>\$31,792,658</u>	<u>\$21,320,927</u>	<u>\$53,113,585</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	Capital Grants and Contributions
Governmental Activities				
General Government	\$1,743,780	\$183,565	\$0	\$0
Security of Persons and Property				
Police	2,731,740	10,158	13,082	0
Fire	619,487	0	500	0
Other	114,293	0	0	0
Public Health and Welfare	1,216,486	98,081	4,301	0
Transportation	3,791,505	0	537,318	170,000
Community Environment	302,185	123,536	0	0
Leisure Time Activities	1,086,524	310,183	0	0
Basic Utility Services	408,540	0	0	0
Interest and Fiscal Charges	13,344	0	0	0
Total Governmental Activities	12,027,884	725,523	555,201	170,000
Business-Type Activities				
Water Revenue Fund	3,845,882	3,745,362	0	760,702
Sewer Revenue Fund	2,008,828	1,760,248	0	168,634
Garbage Service Fund	605,023	547,304	60,000	0
Total Business-Type Activities	6,459,733	6,052,914	60,000	929,336
Totals	\$18,487,617	\$6,778,437	\$615,201	\$1,099,336

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

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
(\$1,560,215)	\$0	(\$1,560,215)
(2,708,500)	0	(2,708,500)
(618,987)	0	(618,987)
(114,293)	0	(114,293)
(1,114,104)	0	(1,114,104)
(3,084,187)	0	(3,084,187)
(178,649)	0	(178,649)
(776,341)	0	(776,341)
(408,540)	0	(408,540)
(13,344)	0	(13,344)
(10,577,160)	0	(10,577,160)
0	660,182	660,182
0	(79,946)	(79,946)
0	2,281	2,281
0	582,517	582,517
(10,577,160)	582,517	(9,994,643)
738,731	0	738,731
98,558	0	98,558
180,248	0	180,248
109,187	0	109,187
109,187	0	109,187
5,545,734	0	5,545,734
1,011,055	0	1,011,055
201,285	4,951	206,236
65,061	31,534	96,595
8,059,046	36,485	8,095,531
(2,518,114)	619,002	(1,899,112)
34,310,772	20,701,925	55,012,697
<u>\$31,792,658</u>	<u>\$21,320,927</u>	<u>\$53,113,585</u>

City of North Canton, Ohio

Balance Sheet

Governmental Funds

December 31, 2003

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Capital Improvements</u>
Assets			
Equity in Pooled Cash and			
Cash Equivalents	\$8,970,584	\$87,288	\$2,871,095
Cash and Cash Equivalents in Segregated Accounts	0	0	0
Materials and Supplies Inventory	17,041	48,230	0
Accrued Interest Receivable	23,012	0	0
Accounts Receivable	0	0	0
Intergovernmental Receivable	592,748	282,683	0
Prepaid Items	17,507	4,617	0
Property Taxes Receivable	741,851	0	0
Municipal Income Taxes Receivable	931,219	0	0
	<u> </u>	<u> </u>	<u> </u>
<i>Total Assets</i>	<u><u>\$11,293,962</u></u>	<u><u>\$422,818</u></u>	<u><u>\$2,871,095</u></u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$15,925	\$1,009	\$0
Contracts Payable	0	0	624,975
Accrued Wages	203,887	35,138	0
Intergovernmental Payable	81,824	12,161	0
Deferred Revenue	1,351,754	233,776	0
Accrued Interest Payable	13,344	0	0
Notes Payable	2,100,000	0	0
	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities</i>	<u>3,766,734</u>	<u>282,084</u>	<u>624,975</u>
 Fund Balances			
Reserved for Encumbrances	38,997	0	590,857
Unreserved:			
Undesignated, Reported in:			
General Fund	7,488,231	0	0
Special Revenue Funds	0	140,734	0
Capital Projects Fund	0	0	1,655,263
	<u> </u>	<u> </u>	<u> </u>
<i>Total Fund Balances</i>	<u>7,527,228</u>	<u>140,734</u>	<u>2,246,120</u>
	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$11,293,962</u></u>	<u><u>\$422,818</u></u>	<u><u>\$2,871,095</u></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, 2003*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$10,270,270
		<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	23,859,290
		Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:	
		Delinquent Property Taxes	13,392
		Intergovernmental	759,797
		Municipal Income Taxes	142,311
		Total	915,500
		Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(104,044)
		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	(1,182,519)
		Settlement Agreement Payable	(2,058,315)
		Total	(3,240,834)
		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.	119,631
		An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.	(27,155)
		<i>Net Assets of Governmental Activities</i>	\$31,792,658
\$1,040,791	\$15,628,666		
\$1,040,791	\$15,628,666		

City of North Canton, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Street Construction Maintenance and Repair	Capital Improvements
Revenues			
Property and Other Taxes	\$740,857	\$0	\$0
Municipal Income Taxes	5,646,659	0	0
Charges for Services	310,183	0	0
Licenses and Permits	123,536	0	0
Fines and Forfeitures	75,503	0	0
Intergovernmental	1,040,148	481,689	0
Interest	181,586	0	0
Ambulance Fees	0	0	0
Other	8,756	2,409	41,978
<i>Total Revenues</i>	<u>8,127,228</u>	<u>484,098</u>	<u>41,978</u>
Expenditures			
Current:			
General Government	5,749,746	0	0
Security of Persons and Property:			
Police	2,563,273	0	0
Fire	0	0	0
Other	114,293	0	0
Public Health and Welfare	79,830	0	0
Transportation	1,500	1,065,233	0
Community Environment	286,643	0	0
Leisure Time Activities	948,763	0	0
Basic Utility Services	0	0	0
Settlement Agreement	359,336	0	0
Capital Outlay	0	0	3,255,013
Debt Service			
Interest	13,344	0	0
<i>Total Expenditures</i>	<u>10,116,728</u>	<u>1,065,233</u>	<u>3,255,013</u>
<i>Excess of Revenues</i>			
<i>Under Expenditures</i>	<u>(1,989,500)</u>	<u>(581,135)</u>	<u>(3,213,035)</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	3,498	21,976	0
Transfers In	0	550,000	2,750,000
Transfers Out	(4,380,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(4,376,502)</u>	<u>571,976</u>	<u>2,750,000</u>
<i>Net Change in Fund Balances</i>	(6,366,002)	(9,159)	(463,035)
<i>Fund Balances Beginning of Year</i>	<u>13,893,230</u>	<u>149,893</u>	<u>2,709,155</u>
<i>Fund Balances End of Year</i>	<u>\$7,527,228</u>	<u>\$140,734</u>	<u>\$2,246,120</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, 2003*

Other Governmental Funds	Total Governmental Funds		
\$498,468	\$1,239,325	Net Change in Fund Balances - Total Governmental Funds	(\$6,880,810)
0	5,646,659	<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
0	310,183	Governmental funds report capital outlays as expenditures.	
0	123,536	However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
118,220	193,723	Capital Asset Additions	5,872,469
228,446	1,750,283	Current Year Depreciation	(1,495,340)
0	181,586		
98,081	98,081		
11,893	65,036		
955,108	9,608,412		4,377,129
112,852	5,862,598	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
4,916	2,568,189		(223,783)
494,508	494,508	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
0	114,293	Delinquent Property Taxes	(3,414)
1,079,682	1,159,512	Interest	19,699
272,781	1,339,514	Grants	(14,027)
0	286,643	Municipal Income Taxes	(156,736)
250	949,013		
114,688	114,688	Total	(154,478)
0	359,336		
0	3,255,013	Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
0	13,344	Settlement Agreement Expense	359,336
2,079,677	16,516,651	Municipal Income Taxes Credit	55,811
(1,124,569)	(6,908,239)		415,147
1,955	27,429	Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
1,080,000	4,380,000	Compensated Absences	(106,013)
0	(4,380,000)	Pension Obligation	85,463
1,081,955	27,429		
(42,614)	(6,880,810)	Total	(20,550)
398,802	17,151,080	The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	
\$356,188	\$10,270,270		(30,769)
		<i>Change in Net Assets of Governmental Activities</i>	<u>(\$2,518,114)</u>

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, 2003*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Taxes	\$695,087	\$695,087	\$740,857	\$45,770
Municipal Income Taxes	5,500,000	5,500,000	5,807,703	307,703
Charges for Services	311,500	311,500	310,183	(1,317)
Licenses and Permits	90,000	90,000	123,536	33,536
Fines and Forfeitures	82,000	82,000	75,503	(6,497)
Intergovernmental	1,156,462	1,156,462	1,248,359	91,897
Interest	450,000	450,000	339,932	(110,068)
Other	1,500	1,500	8,756	7,256
<i>Total Revenues</i>	<u>8,286,549</u>	<u>8,286,549</u>	<u>8,654,829</u>	<u>368,280</u>
Expenditures				
Current:				
General Government	2,419,581	6,599,125	6,126,151	472,974
Security of Persons and Property:				
Police	2,716,502	2,721,932	2,542,131	179,801
Other	76,000	79,800	79,788	12
Public Health and Welfare	78,000	79,900	79,830	70
Transportation	200,000	111,600	1,500	110,100
Community Environment	381,000	381,159	283,760	97,399
Leisure Time Activities	1,030,022	1,052,626	950,327	102,299
<i>Total Expenditures</i>	<u>6,901,105</u>	<u>11,026,142</u>	<u>10,063,487</u>	<u>962,655</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,385,444</u>	<u>(2,739,593)</u>	<u>(1,408,658)</u>	<u>1,330,935</u>
Other Financing Sources (Uses)				
Notes Issued	0	2,100,000	2,100,000	0
Sale of Capital Assets	5,000	5,000	3,498	(1,502)
Transfers Out	(4,310,000)	(4,380,000)	(4,380,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(4,305,000)</u>	<u>(2,275,000)</u>	<u>(2,276,502)</u>	<u>(1,502)</u>
<i>Net Change in Fund Balance</i>	<u>(2,919,556)</u>	<u>(5,014,593)</u>	<u>(3,685,160)</u>	<u>1,329,433</u>
<i>Fund Balance Beginning of Year</i>	12,612,462	12,612,462	12,612,462	0
Prior Year Encumbrances Appropriated	26,537	26,537	26,537	0
<i>Fund Balance End of Year</i>	<u>\$9,719,443</u>	<u>\$7,624,406</u>	<u>\$8,953,839</u>	<u>\$1,329,433</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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$415,000	\$415,000	\$463,412	\$48,412
Other	0	0	2,409	2,409
<i>Total Revenues</i>	415,000	415,000	465,821	50,821
Expenditures				
Current:				
Transportation	1,071,442	1,070,090	1,054,933	15,157
<i>Excess of Revenues Under Expenditures</i>	(656,442)	(655,090)	(589,112)	65,978
Other Financing Sources				
Sale of Capital Assets	5,000	5,000	21,976	16,976
Transfers In	550,000	550,000	550,000	0
<i>Total Other Financing Sources</i>	555,000	555,000	571,976	16,976
<i>Net Change in Fund Balance</i>	(101,442)	(100,090)	(17,136)	82,954
<i>Fund Balance Beginning of Year</i>	102,831	102,831	102,831	0
Prior Year Encumbrances Appropriated	1,593	1,593	1,593	0
<i>Fund Balance End of Year</i>	<u>\$2,982</u>	<u>\$4,334</u>	<u>\$87,288</u>	<u>\$82,954</u>

See accompanying notes to the basic financial statements

City of North Canton, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Business-Type Activities - Enterprise		
	Water Revenue	Sewer Revenue	Garbage Service
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$1,746,379	\$1,286,933	\$154,410
Accounts Receivable	541,979	137,701	2,245
Materials and Supplies Inventory	45,887	0	0
Deferred Charges	93,765	0	0
Prepaid Items	11,991	2,482	0
<i>Total Current Assets</i>	<u>2,440,001</u>	<u>1,427,116</u>	<u>156,655</u>
<i>Noncurrent Assets:</i>			
Nondepreciable Capital Assets	5,456,735	0	0
Depreciable Capital Assets, Net	14,374,898	4,823,413	0
<i>Total Noncurrent Assets</i>	<u>19,831,633</u>	<u>4,823,413</u>	<u>0</u>
<i>Total Assets</i>	<u>22,271,634</u>	<u>6,250,529</u>	<u>156,655</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	8,134	10,494	2,040
Contract Payable	67,318	14,800	0
Accrued Wages and Benefits	63,222	11,611	0
Compensated Absences Payable	10,142	23,916	0
Intergovernmental Payable	34,645	92,552	461
Accrued Interest Payable	46,631	0	0
Notes Payable	1,875,000	0	0
OWDA Loan Payable	89,497	0	0
Settlement Agreement Payable	316,000	0	0
Claims Payable	0	0	0
<i>Total Current Liabilities</i>	<u>2,510,589</u>	<u>153,373</u>	<u>2,501</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences	278,289	31,732	0
OWDA Loan Payable	4,408,562	0	0
<i>Total Long-Term Liabilities</i>	<u>4,686,851</u>	<u>31,732</u>	<u>0</u>
<i>Total Liabilities</i>	<u>7,197,440</u>	<u>185,105</u>	<u>2,501</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	13,552,339	4,823,413	0
Unrestricted	1,521,855	1,242,011	154,154
<i>Total Net Assets</i>	<u>\$15,074,194</u>	<u>\$6,065,424</u>	<u>\$154,154</u>

Net assets reported for business-type activities in the statement of net assets is different because their share of internal service fund assets and liabilities is included .

Net assets of business-type activities

See accompanying notes to the basic financial statements

Funds	Governmental Activities - Internal Service Fund
Total	
\$3,187,722	\$216,320
681,925	0
45,887	0
93,765	0
14,473	0
4,023,772	216,320
5,456,735	0
19,198,311	0
24,655,046	0
28,678,818	216,320
20,668	25
82,118	0
74,833	0
34,058	0
127,658	0
46,631	0
1,875,000	0
89,497	0
316,000	0
0	96,664
2,666,463	96,689
310,021	0
4,408,562	0
4,718,583	0
7,385,046	96,689
18,375,752	0
2,918,020	119,631
21,293,772	\$119,631
27,155	
\$21,320,927	

City of North Canton, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003*

	Business-Type Activities - Enterprise		
	Water Revenue	Sewer Revenue	Garbage Service
Operating Revenues			
Charges for Services	\$3,681,519	\$1,602,605	\$547,304
Tap in Fees	63,843	157,643	0
Other	31,441	75	18
<i>Total Operating Revenues</i>	<u>3,776,803</u>	<u>1,760,323</u>	<u>547,322</u>
Operating Expenses			
Personal Services	1,408,911	375,031	43,966
Contractual Services	1,314,236	1,076,033	559,184
Materials and Supplies	174,983	224,510	1,873
Depreciation	760,687	329,143	0
Claims	0	0	0
<i>Total Operating Expenses</i>	<u>3,658,817</u>	<u>2,004,717</u>	<u>605,023</u>
<i>Operating Income (Loss)</i>	<u>117,986</u>	<u>(244,394)</u>	<u>(57,701)</u>
Non-Operating Revenues (Expenses)			
Operating Grants	0	0	60,000
Interest and Fiscal Charges	(130,252)	0	0
Loss on Disposal of Capital Assets	(49,305)	(2,585)	0
Interest	4,951	0	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(174,606)</u>	<u>(2,585)</u>	<u>60,000</u>
<i>Income (Loss) Before Contributions</i>	(56,620)	(246,979)	2,299
Capital Contributions	760,702	168,634	0
<i>Change in Net Assets</i>	704,082	(78,345)	2,299
<i>Net Assets Beginning of Year</i>	<u>14,370,112</u>	<u>6,143,769</u>	<u>151,855</u>
<i>Net Assets End of Year</i>	<u>\$15,074,194</u>	<u>\$6,065,424</u>	<u>\$154,154</u>

Some amounts reported for business-type activities in the statement of activities are different because their share of the change in internal service fund assets and liabilities is included.

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	
\$5,831,428	\$1,032,904
221,486	0
31,534	25
<u>6,084,448</u>	<u>1,032,929</u>
1,827,908	0
2,949,453	89,538
401,366	0
1,089,830	0
0	983,194
<u>6,268,557</u>	<u>1,072,732</u>
<u>(184,109)</u>	<u>(39,803)</u>
60,000	0
(130,252)	0
(51,890)	0
4,951	0
<u>(117,191)</u>	<u>0</u>
(301,300)	(39,803)
<u>929,336</u>	<u>0</u>
628,036	(39,803)
	<u>159,434</u>
	<u>\$119,631</u>
<u>(9,034)</u>	
<u>\$619,002</u>	

City of North Canton, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Business-	
	Water Revenue	Sewer Revenue
Increase (Decreases) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$3,732,365	\$1,760,509
Cash Received from Interfund Services	0	0
Cash Received from Other Operating Sources	31,441	75
Cash Payments to Suppliers for Goods and Services	(1,346,909)	(1,274,627)
Cash Payments to Employees for Services and Benefits	(1,368,352)	(362,821)
Cash Payments for Claims	0	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,048,545</u>	<u>123,136</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	1,875,000	0
Proceeds from OWDA Loan	3,687,820	0
Proceeds from Sale of Capital Assets	8,240	1,451
Payments for Capital Acquisitions	(4,203,598)	(234,894)
Payments for Debt Issuance Costs	(98,235)	0
Principal Payments - Notes	(1,250,000)	0
Principal Payments - OWDA Loan	(84,025)	0
Interest Payments - Notes	(27,424)	0
Interest Payments - OWDA Loan	(52,973)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(145,195)</u>	<u>(233,443)</u>
Cash Flows from Investing Activities		
Interest on Investments	<u>4,951</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	908,301	(110,307)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>838,078</u>	<u>1,397,240</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,746,379</u></u>	<u><u>\$1,286,933</u></u>

<u>Type Activities - Enterprise Funds</u>		<u>Governmental Activities - Internal Service Fund</u>
<u>Garbage Service</u>	<u>Totals</u>	
\$549,482	\$6,042,356	\$0
0	0	1,032,904
18	31,534	25
(567,076)	(3,188,612)	(89,589)
(44,160)	(1,775,333)	0
0	0	(1,056,763)
<u>(61,736)</u>	<u>1,109,945</u>	<u>(113,423)</u>
<u>87,177</u>	<u>87,177</u>	<u>0</u>
0	1,875,000	0
0	3,687,820	0
0	9,691	0
0	(4,438,492)	0
0	(98,235)	0
0	(1,250,000)	0
0	(84,025)	0
0	(27,424)	0
0	(52,973)	0
<u>0</u>	<u>(378,638)</u>	<u>0</u>
<u>0</u>	<u>4,951</u>	<u>0</u>
25,441	823,435	(113,423)
<u>128,969</u>	<u>2,364,287</u>	<u>329,743</u>
<u>\$154,410</u>	<u>\$3,187,722</u>	<u>\$216,320</u>

(continued)

City of North Canton, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2003

	Business-	
	Water Revenue	Sewer Revenue
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
<i>Operating Income (Loss)</i>	\$117,986	(\$244,394)
<i>Adjustments:</i>		
Depreciation	760,687	329,143
(Increase)Decrease in Assets:		
Accounts Receivable	(12,997)	261
Prepays	(2,546)	(755)
Materials and Supplies Inventory	36,537	0
Increase (Decrease) in Liabilities:		
Accounts Payable	(12,168)	10,285
Contracts Payable	(195,633)	14,800
Accrued Wages and Benefits	21,423	3,011
Matured Compensated Absences Payable	(791)	0
Compensated Absences Payable	3,174	5,397
Intergovernmental Payable	16,873	5,388
Settlement Agreement Payable	316,000	0
Claims Payable	0	0
<i>Total Adjustments</i>	930,559	367,530
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$1,048,545	\$123,136

Noncash Capital Financing Activities

During 2003, capital assets were donated by developers to the water revenue and sewer revenue funds in the amounts of \$760,702 and \$168,634 respectively.

See accompanying notes to the basic financial statements

<u>Type Activities - Enterprise Funds</u>		<u>Governmental Activities - Internal Service Fund</u>
<u>Garbage Service</u>	<u>Totals</u>	
<u>(\$57,701)</u>	<u>(\$184,109)</u>	<u>(\$39,803)</u>
0	1,089,830	0
2,178	(10,558)	0
0	(3,301)	0
0	36,537	0
(2,038)	(3,921)	(51)
0	(180,833)	0
(3,981)	20,453	0
0	(791)	0
0	8,571	0
(194)	22,067	0
0	316,000	
<u>0</u>	<u>0</u>	<u>(73,569)</u>
<u>(4,035)</u>	<u>1,294,054</u>	<u>(73,620)</u>
<u>(\$61,736)</u>	<u>\$1,109,945</u>	<u>(\$113,423)</u>

City of North Canton
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2003

Assets

Cash and Cash Equivalents in Segregated Accounts	<u>\$165,214</u>
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Liabilities

Deposits Held and Due to Others	<u>\$165,214</u>
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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, 2003

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 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 no component units.

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 18 of the Basic Financial Statements.

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 announcements 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.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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.

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.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 Revenue 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 Revenue 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 Service 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 and surgical 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.

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 6.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax 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, 2003, but which were levied to finance year 2004 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.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 2003, investments were limited to STAROhio, U.S. Government Agency Obligations, U.S. Treasury Obligations accounts 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, 2003.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amounted to \$181,586, which includes \$76,213 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.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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. 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 street subsystem, a storm sewers subsystem, a bridge subsystem, and water and sewer lines.

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.

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 ten years of service with the City.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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. Net assets restricted for other purposes includes enforcement and education and mayor's court.

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

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.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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. 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.

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 - 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:

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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:

Net Change in Fund Balance		
General and Major Special Revenue Funds		
	General	Street Construction, Maintenance and Repair
GAAP Basis	(\$6,366,002)	(\$9,159)
Adjustment for Revenue Accruals	499,959	(18,277)
Notes Issued	2,100,000	0
Ending Fair Value Adjustment for Investments	27,642	0
Adjustment for Expenditure Accruals	97,628	10,300
Adjustment for Encumbrances	(44,387)	0
Budget Basis	(\$3,685,160)	(\$17,136)

Note 4 – Compliance

The following fund had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Revised Code. Although the budgetary violations were not corrected by year end, management has indicated that appropriations will be closely monitored to ensure no future violations.

Fund	Appropriations	Expenditures plus Encumbrances	Excess
Internal Service Fund			
Insurance Fund	\$1,130,100	\$1,154,804	\$24,704

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 5 - 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;
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).

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 \$4,435,963 and the bank balance was \$4,749,130. \$300,000 of the bank balance was covered by federal depository insurance. \$4,449,130 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 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	\$595,000	\$595,000	\$595,000
U.S. Government Agency Obligations	4,755,127	5,241,027	0	9,996,154	9,996,154
U.S. Treasury Obligations				108,023	108,023
STAROhio				745,000	745,000
Total	<u>\$4,755,127</u>	<u>\$5,241,027</u>	<u>\$595,000</u>	<u>\$11,444,177</u>	<u>\$11,444,177</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.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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	\$15,880,140	\$0
Repurchase Agreements	(595,000)	595,000
US Government Agency Obligations	(9,996,154)	9,996,154
U.S. Treasury Obligations	(108,023)	108,023
STAROhio	(745,000)	745,000
GASB Statement 3	\$4,435,963	\$11,444,177

Note 6 - Receivables

Receivables at December 31, 2003, 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 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes which became a lien December 31, 2002, are levied after October 1, 2003, and collected in 2004 real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002 on the value as of December 31, 2002. Collections are made in 2003. 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, 2003, was \$5.90 per 1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	\$308,739,000
Tangible Personal Property	33,455,000
Public Utility	10,577,000
Total Valuation	\$352,771,000

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

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, 2003 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 2003 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.

Ohio law requires all City income tax rates above 1 percent to be voted by the residents of the City. The income tax, by ordinance, is allocated, after expenditures for collections, at 50 percent to the general fund and 50 percent to the capital improvements fund. Additional increases in the income tax rate would require voter approval.

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities	
Estate Tax	\$134,343
Local Government State Support	362,046
Homestead and Rollback	96,024
Grants	335
Fire Operating Levy	12,198
Emergency Medical Service Levy	22,147
Enforcement and Education	59
Street Construction Maintenance and Repair	282,683
Storm Sewer Levy	12,042
Street Improvement Levy	12,042
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Total	\$933,919
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City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 7 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2003, the City contracted with Clarendon National Insurance for general liability, automobile, crime, equipment, fire, errors and omissions and police and professional liability. 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 necessary officials and employees.

Public officials have a deductible of \$5,000, building and contents have a deductible of \$1,000, 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.

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 \$300 family deductible. 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 \$96,664 reported in the Internal Service fund at December 31, 2003 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 2002 and 2003 are:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	\$77,348	\$888,974	\$796,089	\$170,233
2003	170,233	983,194	1,056,763	96,664

Note 8 - 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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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	1,777,069
Land Improvements	464,707
Equipment	176,749
Subtotal	4,198,739
Less: Accumulated Depreciation	(46,216)
Total	\$4,152,523

The minimum lease commitment under this non-cancellable lease as of December 31, 2003 are the following:

	Minimum Commitment
2004	\$95,000
2005	95,000
2006	109,500
2007	109,500
2008	159,500
Total	\$568,500

Note 9 - 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.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 10 – Capital Assets

Capital asset activity for the year ended December 31, 2003, was as follows:

	Balance 12/31/2002	Additions	Deductions	Balance 12/31/2003
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$2,628,853	\$1,790,014	\$0	\$4,418,867
Construction in Progress	14,251	0	(14,251)	0
<i>Total Capital Assets, not being depreciated</i>	<u>2,643,104</u>	<u>1,790,014</u>	<u>(14,251)</u>	<u>4,418,867</u>
<i>Capital Assets, being depreciated</i>				
Buildings	4,735,991	1,836,775	0	6,572,766
Land Improvements	0	464,707	0	464,707
Equipment	5,595,673	676,184	(984,443)	5,287,414
Infrastructure				
Streets Subsystem	14,891,240	800,487	0	15,691,727
Storm Sewers Subsystem	6,518,882	318,553	(7,729)	6,829,706
Bridge Subsystem	203,000	0	0	203,000
<i>Total Capital Assets, being depreciated</i>	<u>31,944,786</u>	<u>4,096,706</u>	<u>(992,172)</u>	<u>35,049,320</u>
Less Accumulated Depreciation:				
Buildings	(2,965,829)	(187,286)	0	(3,153,115)
Land Improvements	0	(11,618)	0	(11,618)
Equipment	(3,695,759)	(382,590)	760,725	(3,317,624)
Infrastructure				
Streets Subsystem	(5,734,266)	(760,161)	0	(6,494,427)
Storm Sewers Subsystem	(2,384,783)	(147,943)	7,664	(2,525,062)
Bridge Subsystem	(101,309)	(5,742)	0	(107,051)
<i>Total Accumulated Depreciation</i>	<u>(14,881,946)</u>	<u>(1,495,340) *</u>	<u>768,389</u>	<u>(15,608,897)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>17,062,840</u>	<u>2,601,366</u>	<u>(223,783)</u>	<u>19,440,423</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$19,705,944</u>	<u>\$4,391,380</u>	<u>(\$238,034)</u>	<u>\$23,859,290</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$105,151
Security of Persons and Property	
Police	105,108
Fire	95,920
Public Health and Welfare	50,154
Transportation	851,530
Community and Environment	10,489
Leisure Time Activities	129,045
Basic Utility Services	147,943
Total Depreciation Expense	<u>\$1,495,340</u>

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

	Balance 12/31/2002	Additions	Deductions	Balance 12/31/2003
Business-Type Activities				
Capital Assets, not being depreciated				
Land	\$602,367	\$0	\$0	\$602,367
Construction in Progress	1,216,425	3,644,493	(6,550)	4,854,368
<i>Total Capital Assets, not being depreciated</i>	<u>1,818,792</u>	<u>3,644,493</u>	<u>(6,550)</u>	<u>5,456,735</u>
<i>Capital Assets, being depreciated</i>				
Buildings	6,432,921	0	0	6,432,921
Equipment	1,536,571	388,391	(221,722)	1,703,240
Infrastructure				
Water Lines	15,680,616	1,088,105	(70,204)	16,698,517
Sewer Lines	9,362,399	246,839	(12,051)	9,597,187
<i>Total Capital Assets, being depreciated</i>	<u>33,012,507</u>	<u>1,723,335</u>	<u>(303,977)</u>	<u>34,431,865</u>
Less Accumulated Depreciation:				
Buildings	(3,553,395)	(183,167)	0	(3,736,562)
Equipment	(711,018)	(150,356)	167,002	(694,372)
Infrastructure				
Water Lines	(5,296,671)	(483,428)	69,893	(5,710,206)
Sewer Lines	(4,831,586)	(272,879)	12,051	(5,092,414)
<i>Total Accumulated Depreciation</i>	<u>(14,392,670)</u>	<u>(1,089,830)</u>	<u>248,946</u>	<u>(15,233,554)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>18,619,837</u>	<u>633,505</u>	<u>(55,031)</u>	<u>19,198,311</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$20,438,629</u>	<u>\$4,277,998</u>	<u>(\$61,581)</u>	<u>\$24,655,046</u>

Note 11 - 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 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

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

For the year ended December 31, 2003, 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 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7 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, 2003, 2002, and 2001 were \$392,791, \$400,236 and \$586,156 respectively; 92.72 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$5,751 made by the City and \$3,608 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, 2003, 2002, and 2001 were \$152,828, \$155,225 and \$252,337 respectively, equal to the required contributions for each year. The full amount has been contributed for 2002 and 2001. 71.58 percent has been contributed for 2003 with the remainder being reported as a liability.

Note 12 - 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 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 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, 2002, 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 increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases.

City of North Canton, Ohio
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Health care premiums were assumed to increase 4.00 percent annually.

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 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$229,702. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

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

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 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$100,802 for police. The OP&F's total health care expense for the year ended December 31, 2002, (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

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

Note 13 – 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 two 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 when the insurance premiums are paid. For 2003, the cost totaled \$497.

Note 14 - Notes Payable

Changes in the City's note activity for the year ended December 31, 2003, were as follows:

	Balance 12/31/2002	Issued	Retired	Balance 12/31/2003
Governmental Activities				
Real Estate Acquisition Note	\$0	\$2,100,000	\$0	\$2,100,000
Business-Type Activities				
Water System Improvement Note	\$1,250,000	\$1,000,000	(\$1,250,000)	\$1,000,000
Water System Improvement Note	0	875,000	0	875,000
Total Business-Type Activities	\$1,250,000	\$1,875,000	(\$1,250,000)	\$1,875,000

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

In July 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 mature July 1, 2004. All proceeds from the note have been spent as of December 31, 2003.

City of North Canton, Ohio
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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 a rate of 1.45 percent and mature in February, 2004. All proceeds from the notes have been spent as of December 31, 2003.

Note 15 - Long-Term Obligation

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

	Balance 12/31/2002	Issued	Retired	Balance 12/31/2003	Amounts Due In One Year
Business-Type Activities					
OWDA Loans					
2000 \$1,300,000 6.41%					
Water Storage System	\$847,048	\$0	(\$84,025)	\$763,023	\$89,497
2003 \$3,735,036 3.65%					
Water Treatment Plant Improvement	0	3,735,036	0	3,735,036	0
Other Long-Term Liabilities					
Compensated Absences	335,508	8,571	0	344,079	34,058
Total Business-Type Activities	\$1,182,556	\$3,743,607	(\$84,025)	\$4,842,138	\$123,555
Governmental Activities					
Long-Term Liabilities					
Compensated Absences	\$1,076,506	\$204,205	(\$98,192)	\$1,182,519	\$258,888
Settlement Agreement Payable (1996-1998)	359,336	0	(359,336)	0	0
Settlement Agreement Payable (1999-2001)	2,114,126	0	(55,811)	2,058,315	0
Total Governmental Activities	\$3,549,968	\$204,205	(\$513,339)	\$3,240,834	\$258,888

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.

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 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 will be refunded to Maytag. The 2003 credit was \$55,811. The balance of this credit at December 31, 2003 is \$2,058,315. The City expects to pay any remaining balance in 2005. The settlement agreement payable will be paid out of the general fund.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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. This loan will not have an accurate repayment schedule until the loan is finalized and, therefore, is not included in the schedule of future debt service requirements.

The City's overall legal debt margin was \$34,940,955 at December 31, 2003. Principal and interest requirements to retire the outstanding debt at December 31, 2003, are as follows:

Year	OWDA Loans		Settlement
	Principal	Interest	Agreement Payable
2004	89,497	47,501	0
2005	95,326	41,672	2,058,315
2006	101,534	35,464	0
2007	108,146	28,852	0
2008	108,146	28,852	0
2009-2010	260,374	42,430	0
Total	\$763,023	\$224,771	\$2,058,315

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 bonds; 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, 2003, there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$15,590,000.

Note 16 – 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 out of the water fund.

Note 17 – Interfund Transfers

The general fund transferred \$2,750,000 of income tax revenue to the capital improvement fund as required by City ordinance. The remaining transfers are general operating transfers. The \$1,630,000 is made up of a \$360,000 transfer to the fire operating levy, a \$720,000 transfer to the emergency medical services levy fund and a \$550,000 transfer to the street construction maintenance and repair fund to maintain services.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Transfer To	Transfer From
	General Fund
Major Funds	
Street Construction, Maintenance and Repair Fund	\$550,000
Capital Improvements Fund	2,750,000
Total Major Funds	3,300,000
Nonmajor Funds	
Fire Operating Levy Fund	360,000
Emergency Medical Services Levy Fund	720,000
Total Nonmajor Funds	1,080,000
Grand Total	\$4,380,000

Note 18 - 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 2003. 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 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 \$79,830 to the Health District in 2003. Complete financial statements can be obtained from the Stark County Combined General Health District, 3951 Convenience Circle NW, Canton, Ohio 44718.

Note 19 - Subsequent Events

In February 2004, the City issued \$1,600,000 in one-year Water System Improvement Notes, at a rate of 1.45 percent to replace two separate one-year note issues that matured in February 2004.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

In January 2004, the City received a construction loan through the Water Supply Revolving Loan Fund for the purpose of funding an 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 that the total loan will be for \$3.2 million with repayment to begin in 2006. Construction on the project began in March 2004. As of the report date, \$270,635 has been spent on the project and subsequently drawn down from the loan.

In March 2004, the City entered into a grant agreement with the United States Environmental Protection Agency for an \$867,300 Fiscal Year 2003 Special Appropriations Grant. This grant will be used to fund a portion of the Water Treatment Plant expansion project noted above. As of the financial statement date, no funds had been drawn from this grant.

Note 20 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2003:

Project	Contract Amount	Amount Paid	Remaining on Contract
Road Improvements	\$2,260,867	\$1,117,360	\$1,143,507
Waterline Improvements	432,861	40,000	392,861
Storm Sewer Improvements	316,943	189,644	127,299
Sanitary Sewer Improvements	223,946	33,294	190,652
Water Treatment Plant Improvements	6,169,009	2,760,285	3,408,724
Water Tower Improvements	413,809	141,461	272,348
Professional Services	94,852	15,556	79,296
	<u>\$9,912,287</u>	<u>\$4,297,600</u>	<u>\$5,614,687</u>

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 percent 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 will have to be tested quarterly over a one year period. During 2003, two quarterly tests were taken that showed no contamination. The remaining two quarterly tests will be taken in the first half of 2004. The City is anticipating approval of the well and is going forward with the completion of the raw waterline in 2004.

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.

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. The operations of this fund are not budgeted.

City of North Canton, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003

	Fire Operating Levy	Emergency Medical Services Levy	Computer	Enforcement and Education
Assets				
Equity in Pooled Cash and Cash Equivalents	\$83,007	\$73,565	\$23,557	\$7,600
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Materials and Supplies Inventory	0	2,351	0	0
Accounts Receivable	0	97,360	0	0
Intergovernmental Receivable	12,198	22,147	0	59
Prepaid Items	4,231	2,411	0	0
Property Taxes Receivable	98,437	179,749	0	0
<i>Total Assets</i>	<u>\$197,873</u>	<u>\$377,583</u>	<u>\$23,557</u>	<u>\$7,659</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$1,669	\$2,300	\$0	\$0
Contracts Payable	0	0	0	0
Accrued Wages	33,386	46,620	0	0
Intergovernmental Payable	18,672	18,370	0	0
Deferred Revenue	110,635	201,896	0	0
<i>Total Liabilities</i>	<u>164,362</u>	<u>269,186</u>	<u>0</u>	<u>0</u>
Fund Balances				
Reserved for Encumbrances	51,256	198	0	0
Unreserved, Undesignated (Deficit)	(17,745)	108,199	23,557	7,659
<i>Total Fund Balances</i>	<u>33,511</u>	<u>108,397</u>	<u>23,557</u>	<u>7,659</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$197,873</u>	<u>\$377,583</u>	<u>\$23,557</u>	<u>\$7,659</u>

Storm Sewer Levy	Street Levy	Municipal Road	General Trust	Mayor's Court	Total Nonmajor Governmental Funds
\$78,687	\$80,065	\$5,000	\$0	\$0	\$351,481
0	0	0	30,181	255	30,436
0	0	0	0	0	2,351
0	0	0	0	0	97,360
12,042	12,042	0	0	0	58,488
583	0	0	0	0	7,225
107,632	107,632	0	0	0	493,450
<u>\$198,944</u>	<u>\$199,739</u>	<u>\$5,000</u>	<u>\$30,181</u>	<u>\$255</u>	<u>\$1,040,791</u>
\$0	\$0	\$0	\$0	\$0	\$3,969
0	11,707	0	0	0	11,707
0	0	0	0	0	80,006
0	0	0	0	0	37,042
119,674	119,674	0	0	0	551,879
<u>119,674</u>	<u>131,381</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>684,603</u>
22,967	32,474	0	0	0	106,895
56,303	35,884	5,000	30,181	255	249,293
<u>79,270</u>	<u>68,358</u>	<u>5,000</u>	<u>30,181</u>	<u>255</u>	<u>356,188</u>
<u>\$198,944</u>	<u>\$199,739</u>	<u>\$5,000</u>	<u>\$30,181</u>	<u>\$255</u>	<u>\$1,040,791</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, 2003

	Fire Operating Levy	Emergency Medical Services Levy	Computer	Enforcement and Education
Revenues				
Property and Other Taxes	\$98,824	\$180,730	\$0	\$0
Fines and Forfeitures	0	0	7,335	1,515
Intergovernmental	11,945	24,941	0	0
Ambulance Fees	0	98,081	0	0
Other	719	882	0	0
<i>Total Revenues</i>	<u>111,488</u>	<u>304,634</u>	<u>7,335</u>	<u>1,515</u>
Expenditures				
Current:				
General Government	0	0	3,482	0
Security of Persons and Property:				
Police	0	0	0	4,035
Fire	490,983	0	0	0
Public Health and Welfare	0	1,079,400	0	0
Transportation	0	0	0	0
Leisure Time Activities	0	0	0	0
Basic Utility Services	0	0	0	0
<i>Total Expenditures</i>	<u>490,983</u>	<u>1,079,400</u>	<u>3,482</u>	<u>4,035</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(379,495)</u>	<u>(774,766)</u>	<u>3,853</u>	<u>(2,520)</u>
Other Financing Sources				
Sale of Capital Assets	1,015	940	0	0
Transfers In	360,000	720,000	0	0
<i>Total Other Financing Sources</i>	<u>361,015</u>	<u>720,940</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(18,480)	(53,826)	3,853	(2,520)
<i>Fund Balances Beginning of Year</i>	<u>51,991</u>	<u>162,223</u>	<u>19,704</u>	<u>10,179</u>
<i>Fund Balances End of Year</i>	<u>\$33,511</u>	<u>\$108,397</u>	<u>\$23,557</u>	<u>\$7,659</u>

Storm Sewer Levy	Street Levy	Municipal Road	General Trust	Mayor's Court	Total Nonmajor Governmental Funds
\$109,457	\$109,457	\$0	\$0	\$0	\$498,468
0	0	0	0	109,370	118,220
10,780	10,780	170,000	0	0	228,446
0	0	0	0	0	98,081
0	0	0	10,292	0	11,893
<u>120,237</u>	<u>120,237</u>	<u>170,000</u>	<u>10,292</u>	<u>109,370</u>	<u>955,108</u>
0	0	0	0	109,370	112,852
0	0	0	881	0	4,916
0	0	0	3,525	0	494,508
0	0	0	282	0	1,079,682
0	102,781	170,000	0	0	272,781
0	0	0	250	0	250
114,688	0	0	0	0	114,688
<u>114,688</u>	<u>102,781</u>	<u>170,000</u>	<u>4,938</u>	<u>109,370</u>	<u>2,079,677</u>
<u>5,549</u>	<u>17,456</u>	<u>0</u>	<u>5,354</u>	<u>0</u>	<u>(1,124,569)</u>
0	0	0	0	0	1,955
0	0	0	0	0	1,080,000
0	0	0	0	0	1,081,955
5,549	17,456	0	5,354	0	(42,614)
73,721	50,902	5,000	24,827	255	398,802
<u>\$79,270</u>	<u>\$68,358</u>	<u>\$5,000</u>	<u>\$30,181</u>	<u>\$255</u>	<u>\$356,188</u>

Agency Fund

Required Deposits Fund - This fund accounts for monies from planning, zoning, and street repairs 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
December 31, 2003

	Beginning Balance 12/31/02	Additions	Deductions	Ending Balance 12/31/03
Required Deposits				
Assets				
Cash and Cash Equivalents In Segregated Accounts	\$66,082	\$158,094	\$58,962	\$165,214
Liabilities				
Deposits Held and Due to Others	\$66,082	\$158,094	\$58,962	\$165,214

**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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Taxes	\$695,087	\$695,087	\$740,857	\$45,770
Municipal Income Taxes	5,500,000	5,500,000	5,807,703	307,703
Charges for Services	311,500	311,500	310,183	(1,317)
Licenses and Permits	90,000	90,000	123,536	33,536
Fines and Forfeitures	82,000	82,000	75,503	(6,497)
Intergovernmental	1,156,462	1,156,462	1,248,359	91,897
Interest	450,000	450,000	339,932	(110,068)
Other	1,500	1,500	8,756	7,256
<i>Total Revenues</i>	<u>8,286,549</u>	<u>8,286,549</u>	<u>8,654,829</u>	<u>368,280</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive:				
Mayor:				
Personal Services	83,750	83,750	81,230	2,520
Contractual Services	14,000	14,500	5,518	8,982
Materials and Supplies	2,000	2,000	916	1,084
Capital Outlay	1,600	1,600	0	1,600
Total Mayor	<u>101,350</u>	<u>101,850</u>	<u>87,664</u>	<u>14,186</u>
Director of Administration:				
Personal Services	158,150	158,150	152,920	5,230
Contractual Services	15,300	22,800	19,921	2,879
Materials and Supplies	3,500	3,000	1,052	1,948
Capital Outlay	1,991	1,820	578	1,242
Total Director of Administration	<u>178,941</u>	<u>185,770</u>	<u>174,471</u>	<u>11,299</u>
Director of Finance:				
Personal Services	173,250	173,250	149,745	23,505
Contractual Services	40,536	42,480	33,638	8,842
Materials and Supplies	5,500	6,000	4,501	1,499
Capital Outlay	3,100	3,100	2,750	350
Total Director of Finance	<u>222,386</u>	<u>224,830</u>	<u>190,634</u>	<u>34,196</u>
Electronic Data Processing:				
Contractual Services	16,500	17,450	14,239	3,211
Materials and Supplies	400	750	715	35
Capital Outlay	100,600	100,600	80,460	20,140
Total Electronic Data Processing	<u>117,500</u>	<u>118,800</u>	<u>95,414</u>	<u>23,386</u>
Director of Law:				
Personal Services	68,040	68,040	63,781	4,259
Contractual Services	70,829	91,928	81,033	10,895
Materials and Supplies	6,300	6,500	5,637	863
Capital Outlay	600	1,300	1,044	256
Total Director of Law	<u>\$145,769</u>	<u>\$167,768</u>	<u>\$151,495</u>	<u>\$16,273</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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
City Council:				
Personal Services	\$192,600	\$192,600	\$187,438	\$5,162
Contractual Services	30,000	35,950	30,054	5,896
Materials and Supplies	2,000	2,000	1,171	829
Capital Outlay	14,600	14,600	600	14,000
Total City Council	239,200	245,150	219,263	25,887
Civil Service Commission:				
Personal Services	6,700	6,700	6,228	472
Contractual Services	12,500	12,500	4,245	8,255
Materials and Supplies	600	600	0	600
Total Civil Service Commission	19,800	19,800	10,473	9,327
City Hall Maintenance:				
Personal Services	55,450	50,930	30,485	20,445
Contractual Services	120,065	124,035	113,090	10,945
Materials and Supplies	8,400	8,450	6,605	1,845
Capital Outlay	28,000	28,000	14,015	13,985
Total City Hall Maintenance	211,915	211,415	164,195	47,220
Department of Engineering:				
Personal Services	380,600	380,600	329,374	51,226
Contractual Services	59,620	71,142	49,865	21,277
Materials and Supplies	18,000	18,000	5,709	12,291
Capital Outlay	12,000	12,000	5,051	6,949
Total Department of Engineering	470,220	481,742	389,999	91,743
Income Tax Administration:				
Personal Services	196,600	195,400	189,487	5,913
Contractual Services	70,200	71,400	36,103	35,297
Materials and Supplies	10,000	10,000	9,901	99
Capital Outlay	40,100	40,100	32,738	7,362
Total Income Tax Administration	316,900	316,900	268,229	48,671
Other General Government:				
Personal Services	90,000	36,200	35,371	829
Contractual Services	129,600	179,550	169,268	10,282
Capital Outlay	101,000	4,301,000	4,164,184	136,816
Other	75,000	8,350	5,491	2,859
Total Other General Government	395,600	4,525,100	4,374,314	150,786
Total General Government	\$2,419,581	\$6,599,125	\$6,126,151	\$472,974

(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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Security of Persons and Property:				
Police:				
Personal Services	\$2,473,575	\$2,474,075	\$2,335,156	\$138,919
Contractual Services	136,560	138,607	108,541	30,066
Materials and Supplies	66,567	69,450	60,955	8,495
Capital Outlay	39,800	39,800	37,479	2,321
Total Police	2,716,502	2,721,932	2,542,131	179,801
Other:				
Contractual Services	76,000	79,800	79,788	12
Total Security of Persons and Property	2,792,502	2,801,732	2,621,919	179,813
Public Health and Welfare:				
County Health Department:				
Contractual Services	78,000	79,900	79,830	70
Transportation:				
Street:				
Capital Outlay	200,000	111,600	1,500	110,100
Community Environment:				
Licenses and Permits:				
Personal Services	282,400	282,400	253,287	29,113
Contractual Services	34,000	34,159	25,910	8,249
Materials and Supplies	7,000	7,000	3,203	3,797
Capital Outlay	6,200	6,200	755	5,445
Total Licenses and Permits	329,600	329,759	283,155	46,604
Planning Commission:				
Contractual Services	650	650	395	255
Materials and Supplies	100	100	0	100
Total Planning Commission	750	750	395	355
Zoning and Building:				
Contractual Services	550	550	210	340
Materials and Supplies	100	100	0	100
Total Zoning and Building	650	650	210	440
Economic Development:				
Personal Services	10,000	10,000	0	10,000
Contractual Services	40,000	40,000	0	40,000
Total Economic Development	50,000	50,000	0	50,000
Total Community Environment	381,000	381,159	283,760	97,399
Leisure Time Activities:				
Dogwood Shelter:				
Contractual Services	30,000	30,000	20,855	9,145
Capital Outlay	600	600	0	600
Total Dogwood Shelter	\$30,600	\$30,600	\$20,855	\$9,745

(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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Swimming Pool:				
Personal Services	\$123,000	\$123,300	\$113,453	\$9,847
Contractual Services	46,700	51,700	48,012	3,688
Materials and Supplies	33,800	32,700	21,758	10,942
Capital Outlay	6,300	6,300	4,998	1,302
Total Swimming Pool	209,800	214,000	188,221	25,779
Park Department:				
Personal Services	361,200	364,365	358,974	5,391
Contractual Services	93,000	105,535	88,861	16,674
Materials and Supplies	20,800	18,300	15,729	2,571
Capital Outlay	23,875	23,875	18,681	5,194
Total Park Department	498,875	512,075	482,245	29,830
Civic Center:				
Personal Services	80,100	85,225	80,544	4,681
Contractual Services	69,672	69,348	56,444	12,904
Materials and Supplies	5,000	5,000	4,098	902
Capital Outlay	3,225	3,225	1,880	1,345
Total Civic Center	157,997	162,798	142,966	19,832
Recreation Department:				
Personal Services	94,500	96,000	94,507	1,493
Contractual Services	18,000	16,703	9,535	7,168
Materials and Supplies	5,400	5,600	3,937	1,663
Capital Outlay	1,850	1,850	1,290	560
Total Recreation Department	119,750	120,153	109,269	10,884
Recreation Program:				
Personal Services	600	600	0	600
Contractual Services	7,400	7,400	4,646	2,754
Materials and Supplies	5,000	5,000	2,125	2,875
Total Recreation Program	13,000	13,000	6,771	6,229
Total Leisure Time Activities	1,030,022	1,052,626	950,327	102,299
<i>Total Expenditures</i>	6,901,105	11,026,142	10,063,487	962,655
<i>Excess of Revenues Over</i> <i>(Under) Expenditures</i>	1,385,444	(2,739,593)	(1,408,658)	1,330,935
Other Financing Sources (Uses)				
Notes Issued	0	2,100,000	2,100,000	0
Sale of Capital Assets	5,000	5,000	3,498	(1,502)
Transfers Out	(4,310,000)	(4,380,000)	(4,380,000)	0
<i>Total Other Financing Sources (Uses)</i>	(4,305,000)	(2,275,000)	(2,276,502)	(1,502)
<i>Net Change in Fund Balance</i>	(2,919,556)	(5,014,593)	(3,685,160)	1,329,433
<i>Fund Balance Beginning of Year</i>	12,612,462	12,612,462	12,612,462	0
Prior Year Encumbrances Appropriated	26,537	26,537	26,537	0
<i>Fund Balance End of Year</i>	\$9,719,443	\$7,624,406	\$8,953,839	\$1,329,433

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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$415,000	\$415,000	\$463,412	\$48,412
Other	0	0	2,409	2,409
<i>Total Revenues</i>	<u>415,000</u>	<u>415,000</u>	<u>465,821</u>	<u>50,821</u>
Expenditures				
Current:				
Transportation:				
Personal Services	668,500	627,060	626,081	979
Contractual Services	164,881	124,246	117,650	6,596
Materials and Supplies	204,411	285,134	281,919	3,215
Capital Outlay	33,650	33,650	29,283	4,367
Other	0	0	0	0
<i>Total Expenditures</i>	<u>1,071,442</u>	<u>1,070,090</u>	<u>1,054,933</u>	<u>15,157</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(656,442)</u>	<u>(655,090)</u>	<u>(589,112)</u>	<u>65,978</u>
Other Financing Sources				
Sale of Capital Assets	5,000	5,000	21,976	16,976
Transfers In	550,000	550,000	550,000	0
<i>Total Other Financing Sources</i>	<u>555,000</u>	<u>555,000</u>	<u>571,976</u>	<u>16,976</u>
<i>Net Change in Fund Balance</i>	<u>(101,442)</u>	<u>(100,090)</u>	<u>(17,136)</u>	<u>82,954</u>
<i>Fund Balance Beginning of Year</i>	102,831	102,831	102,831	0
Prior Year Encumbrances Appropriated	1,593	1,593	1,593	0
<i>Fund Balance End of Year</i>	<u>\$2,982</u>	<u>\$4,334</u>	<u>\$87,288</u>	<u>\$82,954</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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$0	\$0	\$41,978	\$41,978
Expenditures				
Capital Outlay:				
Contractual Services	393,959	421,359	237,919	183,440
Capital Outlay	5,153,740	5,079,725	3,781,046	1,298,679
<i>Total Expenditures</i>	<u>5,547,699</u>	<u>5,501,084</u>	<u>4,018,965</u>	<u>1,482,119</u>
<i>Excess of Revenues Under Expenditures</i>	(5,547,699)	(5,501,084)	(3,976,987)	1,524,097
Other Financing Sources				
Transfers In	<u>2,750,000</u>	<u>2,750,000</u>	<u>2,750,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(2,797,699)	(2,751,084)	(1,226,987)	1,524,097
<i>Fund Balance Beginning of Year</i>	2,391,491	2,391,491	2,391,491	0
Prior Year Encumbrances Appropriated	<u>490,759</u>	<u>490,759</u>	<u>490,759</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$84,551</u></u>	<u><u>\$131,166</u></u>	<u><u>\$1,655,263</u></u>	<u><u>\$1,524,097</u></u>

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$3,803,000	\$3,803,000	\$3,668,522	(\$134,478)
Tap-In Fees	85,000	85,000	63,843	(21,157)
Interest	0	0	4,951	4,951
Sale of Capital Assets	3,000	3,000	8,240	5,240
Proceeds from OWDA Loan	10,488,939	10,488,939	3,687,820	(6,801,119)
Notes Issued	1,875,000	1,875,000	1,875,000	0
Other	0	0	31,441	31,441
<i>Total Revenues</i>	16,254,939	16,254,939	9,339,817	(6,915,122)
Expenses				
Personal Services	1,467,825	1,446,125	1,368,352	77,773
Contractual Services	1,463,851	1,500,069	1,327,180	172,889
Materials and Supplies	443,050	371,059	148,812	222,247
Capital Outlay	11,372,041	11,406,433	8,242,517	3,163,916
Debt Service:				
Principal Retirement	1,334,025	1,334,025	1,334,025	0
Interest and Fiscal Charges	80,474	80,474	80,397	77
Issuance Costs	90,000	98,300	98,235	65
<i>Total Expenses</i>	16,251,266	16,236,485	12,599,518	3,636,967
<i>Net Change in Fund Equity</i>	3,673	18,454	(3,259,701)	(3,278,155)
<i>Fund Equity Beginning of Year</i>	781	781	781	0
Prior Year Encumbrances Appropriated	837,297	837,297	837,297	0
<i>Fund Equity End of Year</i>	\$841,751	\$856,532	(\$2,421,623)	(\$3,278,155)

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$1,550,000	\$1,550,000	\$1,602,866	\$52,866
Tap-In Fees	51,000	51,000	157,643	106,643
Sale of Capital Assets	2,000	2,000	1,451	(549)
Other	0	0	75	75
<i>Total Revenues</i>	1,603,000	1,603,000	1,762,035	159,035
Expenses				
Personal Services	378,100	377,800	362,821	14,979
Contractual Services	1,608,114	1,615,296	1,459,345	155,951
Materials and Supplies	16,372	19,891	428,972	(409,081)
Capital Outlay	927,972	878,612	234,894	643,718
<i>Total Expenses</i>	2,930,558	2,891,599	2,486,032	405,567
<i>Net Change in Fund Equity</i>	(1,327,558)	(1,288,599)	(723,997)	564,602
<i>Fund Equity Beginning of Year</i>	1,001,483	1,001,483	1,001,483	0
Prior Year Encumbrances Appropriated	395,757	395,757	395,757	0
<i>Fund Equity End of Year</i>	\$69,682	\$108,641	\$673,243	\$564,602

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$545,000	\$545,000	\$549,482	\$4,482
Other	0	0	18	18
Operating Grants	25,000	25,000	87,177	62,177
<i>Total Revenues</i>	<u>570,000</u>	<u>570,000</u>	<u>636,677</u>	<u>66,677</u>
Expenses				
Personal Services	46,800	47,000	44,160	2,840
Contractual Services	647,450	646,063	565,509	80,554
Materials and Supplies	2,100	2,100	1,873	227
<i>Total Expenses</i>	<u>696,350</u>	<u>695,163</u>	<u>611,542</u>	<u>83,621</u>
<i>Net Change in Fund Equity</i>	(126,350)	(125,163)	25,135	150,298
<i>Fund Equity Beginning of Year</i>	123,719	123,719	123,719	0
Prior Year Encumbrances Appropriated	5,250	5,250	5,250	0
<i>Fund Equity End of Year</i>	<u><u>\$2,619</u></u>	<u><u>\$3,806</u></u>	<u><u>\$154,104</u></u>	<u><u>\$150,298</u></u>

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$91,259	\$91,259	\$98,824	\$7,565
Intergovernmental	11,000	57,019	11,945	(45,074)
Other	0	0	719	719
<i>Total Revenues</i>	102,259	148,278	111,488	(36,790)
Expenditures				
Current:				
Security of Persons and Property				
Fire:				
Personal Services	404,850	408,250	371,556	36,694
Contractual Services	84,225	87,725	77,212	10,513
Materials and Supplies	15,300	18,050	14,978	3,072
Capital Outlay	30,500	81,369	80,582	787
Other	0	700	0	700
<i>Total Expenditures</i>	534,875	596,094	544,328	51,766
<i>Excess of Revenues</i>				
<i> Under Expenditures</i>	(432,616)	(447,816)	(432,840)	14,976
Other Financing Sources				
Sale of Capital Assets	0	0	1,015	1,015
Transfers In	360,000	360,000	360,000	0
<i>Total Other Financing Sources</i>	360,000	360,000	361,015	1,015
<i>Net Change in Fund Balance</i>	(72,616)	(87,816)	(71,825)	15,991
<i>Fund Balance Beginning of Year</i>	101,850	101,850	101,850	0
Prior Year Encumbrances Appropriated	1,725	1,725	1,725	0
<i>Fund Balance End of Year</i>	\$30,959	\$15,759	\$31,750	\$15,991

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, 2003*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Taxes	\$166,547	\$166,547	\$180,730	\$14,183
Ambulance Fees	85,000	85,000	113,092	28,092
Intergovernmental	19,900	19,900	24,941	5,041
Other	0	0	882	882
<i>Total Revenues</i>	<u>271,447</u>	<u>271,447</u>	<u>319,645</u>	<u>48,198</u>
Expenditures				
Current:				
Public Health and Welfare:				
Personal Services	946,500	1,035,510	1,032,984	2,526
Contractual Services	85,944	64,722	57,876	6,846
Materials and Supplies	31,000	37,500	32,839	4,661
Capital Outlay	5,400	5,400	2,979	2,421
<i>Total Expenditures</i>	<u>1,068,844</u>	<u>1,143,132</u>	<u>1,126,678</u>	<u>16,454</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(797,397)</u>	<u>(871,685)</u>	<u>(807,033)</u>	<u>64,652</u>
Other Financing Sources				
Sale of Capital Assets	0	0	940	940
Transfers In	650,000	720,000	720,000	0
<i>Net Change in Fund Balance</i>	<u>(147,397)</u>	<u>(151,685)</u>	<u>(86,093)</u>	<u>65,592</u>
<i>Fund Balance Beginning of Year</i>	157,973	157,973	157,973	0
Prior Year Encumbrances Appropriated	494	494	494	0
<i>Fund Balance End of Year</i>	<u>\$11,070</u>	<u>\$6,782</u>	<u>\$72,374</u>	<u>\$65,592</u>

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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and Forfeitures	\$9,000	\$9,000	\$7,335	(\$1,665)
Expenditures				
Current:				
General Government:				
Computer:				
Contractual Services	9,000	9,000	2,481	6,519
Materials and Supplies	5,000	5,000	1,001	3,999
Capital Outlay	1,000	1,000	0	1,000
<i>Total Expenditures</i>	<u>15,000</u>	<u>15,000</u>	<u>3,482</u>	<u>11,518</u>
<i>Net Change in Fund Balance</i>	(6,000)	(6,000)	3,853	9,853
<i>Fund Balance Beginning of Year</i>	<u>19,704</u>	<u>19,704</u>	<u>19,704</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$13,704</u>	<u>\$13,704</u>	<u>\$23,557</u>	<u>\$9,853</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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$1,500	\$1,500	\$1,706	\$206
Expenditures				
Current:				
Security of Persons and Property:				
Police:				
Contractual Services	5,000	4,000	1,080	2,920
Materials and Supplies	3,000	4,000	2,955	1,045
Capital Outlay	1,000	1,000	0	1,000
<i>Total Expenditures</i>	9,000	9,000	4,035	4,965
<i>Net Change in Fund Balance</i>	(7,500)	(7,500)	(2,329)	5,171
<i>Fund Balance Beginning of Year</i>	9,929	9,929	9,929	0
<i>Fund Balance End of Year</i>	\$2,429	\$2,429	\$7,600	\$5,171

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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$98,618	\$98,618	\$109,457	\$10,839
Intergovernmental	10,400	10,400	10,780	380
<i>Total Revenues</i>	<u>109,018</u>	<u>109,018</u>	<u>120,237</u>	<u>11,219</u>
Expenditures				
Current:				
Basic Utility Services				
Personal Services	0	22,500	22,500	0
Contractual Services	130,500	112,500	109,407	3,093
Materials and Supplies	13,000	8,500	5,805	2,695
<i>Total Expenditures</i>	<u>143,500</u>	<u>143,500</u>	<u>137,712</u>	<u>5,788</u>
<i>Net Change in Fund Balance</i>	(34,482)	(34,482)	(17,475)	17,007
<i>Fund Balance Beginning of Year</i>	<u>73,195</u>	<u>73,195</u>	<u>73,195</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$38,713</u></u>	<u><u>\$38,713</u></u>	<u><u>\$55,720</u></u>	<u><u>\$17,007</u></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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$98,618	\$98,618	\$109,457	\$10,839
Intergovernmental	10,400	10,400	10,780	380
<i>Total Revenues</i>	109,018	109,018	120,237	11,219
Expenditures				
Current:				
Transportation:				
Personal Services	27,000	27,000	27,000	0
Contractual Services	154,982	154,982	135,015	19,967
<i>Total Expenditures</i>	181,982	181,982	162,015	19,967
<i>Net Change in Fund Balance</i>	(72,964)	(72,964)	(41,778)	31,186
<i>Fund Balance Beginning of Year</i>	52,681	52,681	52,681	0
Prior Year Encumbrances Appropriated	24,981	24,981	24,981	0
<i>Fund Balance End of Year</i>	\$4,698	\$4,698	\$35,884	\$31,186

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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$100,000	\$170,000	\$170,000	\$0
Expenditures				
Current:				
Transportation:				
Capital Outlay	<u>105,000</u>	<u>170,000</u>	<u>170,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(5,000)	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>\$0</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
General Trust Fund
For the Year Ended December 31, 2003*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other	\$3,700	\$3,700	\$10,292	\$6,592
Expenditures				
Current:				
General Government				
Police				
Materials and Supplies	1,500	1,500	0	1,500
Security of Persons and Property				
Police				
Materials and Supplies	14,252	14,252	881	13,371
Fire				
Materials and Supplies	4,006	4,006	3,525	481
Total Security of Persons and Property	18,258	18,258	4,406	13,852
Public Health and Welfare:				
E.M.S.				
Materials and Supplies	695	695	282	413
Leisure Time Activities				
Park Department				
Materials and Supplies	725	725	250	475
<i>Total Expenditures</i>	<u>21,178</u>	<u>21,178</u>	<u>4,938</u>	<u>16,240</u>
<i>Net Change in Fund Balance</i>	(17,478)	(17,478)	5,354	22,832
<i>Fund Balance Beginning of Year</i>	<u>24,826</u>	<u>24,826</u>	<u>24,826</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,348</u></u>	<u><u>\$7,348</u></u>	<u><u>\$30,180</u></u>	<u><u>\$22,832</u></u>

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$1,000,000	\$1,000,000	\$1,032,904	\$32,904
Other	0	0	25	25
<i>Total Revenues</i>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,032,929</u>	<u>32,929</u>
Expenses				
Contractual Services	180,100	98,200	98,041	159
Claims	950,000	1,031,900	1,056,763	(24,863)
<i>Total Expenses</i>	<u>1,130,100</u>	<u>1,130,100</u>	<u>1,154,804</u>	<u>(24,704)</u>
<i>Net Change in Fund Equity</i>	(130,100)	(130,100)	(121,875)	8,225
<i>Fund Equity Beginning of Year</i>	<u>329,743</u>	<u>329,743</u>	<u>329,743</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$199,643</u>	<u>\$199,643</u>	<u>\$207,868</u>	<u>\$8,225</u>

Statistical Section

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

	<u>2003</u>	<u>2002</u>
Program Revenues		
Charges for Services	\$725,523	\$785,969
Operating Grants and Contributions	555,201	444,747
Capital Grants and Contributions	170,000	0
General Revenues		
Property Taxes	1,235,911	1,166,057
Municipal Income Taxes	5,545,734	5,918,556
Intergovernmental	1,011,055	2,142,714
Interest	201,285	510,963
Other	65,061	76,875
Total	<u>\$9,509,770</u>	<u>\$11,045,881</u>
Expenses		
General Government	\$1,743,780	\$2,186,090
Security of Persons and Property:		
Police	2,731,715	2,729,059
Fire	619,487	544,630
Other	114,293	0
Public Health and Welfare	1,216,486	1,073,559
Transportation	3,791,505	2,711,933
Community Environment	302,185	297,363
Leisure Time Activities	1,086,524	1,004,002
Basic Utility Services	408,540	110,410
Interest and Fiscal Charges	13,344	0
Total	<u>\$12,027,859</u>	<u>\$10,657,046</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

	2003	2002	2001
Revenues			
Taxes (2)	\$6,885,984	\$7,044,991	\$6,502,582
Charges for Services	310,183	327,248	312,693
Licenses and Permits	123,536	101,617	118,623
Fines and Forfeitures	193,723	244,058	91,355
Intergovernmental	1,750,283	2,486,668	2,364,205
Special Assessments	0	0	0
Interest	181,586	510,963	835,486
Contributions and Donations	0	15,000	22,430
Ambulance Fee	98,081	113,046	121,875
Other	65,036	76,875	68,953
Total	\$9,608,412	\$10,920,466	\$10,438,202
Expenditures			
Current			
General Government	\$5,862,598	\$1,861,834	\$1,758,108
Security of Persons and Property: (3)	N/A	N/A	2,884,587
Police	2,568,189	2,521,968	N/A
Fire	494,508	494,655	N/A
Other	114,293	0	N/A
Public Health and Welfare	1,159,512	1,071,837	921,120
Transportation	1,339,514	1,094,539	907,321
Community Environment	286,643	277,441	302,995
Leisure Time Activities	949,013	871,033	858,485
Basic Utility Services	114,688	150,837	25,009
Capital Outlay	3,255,013	2,202,853	3,171,010
Settlement Agreement	359,336	359,336	0
Debt Service			
Interest and Fiscal Charges	13,344	0	0
Total	\$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) 2002 was the first year subcategories were identified for security of persons and property.

2000	1999	1998	1997	1996	1995	1994
\$7,942,334	\$7,400,779	\$7,904,104	\$7,228,937	\$5,841,224	\$6,029,312	\$5,581,138
305,120	298,693	400,635	253,450	238,431	241,164	179,138
140,905	157,475	105,826	111,371	143,767	71,156	82,745
85,999	30,110	55,030	44,907	45,639	56,000	61,566
3,400,249	3,099,228	1,856,415	2,244,674	1,869,637	1,768,828	1,559,343
0	16,689	21,015	21,015	27,198	30,468	56,005
1,019,352	707,892	824,450	706,318	634,074	592,556	646,880
632,568	241,294	0	0	0	0	0
99,299	66,315	0	0	0	0	0
33,652	10,988	167,709	23,004	11,726	12,362	9,544
<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>	<u>\$8,176,359</u>
\$1,601,772	\$1,461,342	\$1,540,090	\$1,401,131	\$1,378,480	\$1,338,027	\$1,341,632
2,468,042	2,565,366	2,431,410	2,084,016	1,980,589	1,866,027	1,761,500
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	N/A	N/A	N/A
865,914	833,863	770,643	679,551	644,628	586,879	565,077
936,608	765,327	691,571	686,623	620,162	658,559	592,019
234,491	237,267	243,869	200,379	199,357	210,060	207,310
718,856	719,554	676,052	607,922	609,101	585,295	530,671
35,271	21,020	13,150	7,291	23,433	16,721	7,373
3,007,454	3,923,594	3,167,891	2,988,106	2,923,779	3,492,090	5,223,614
0	0	0	0	0	0	0
0	16,013	17,545	18,288	22,260	24,550	47,065
<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>	<u>\$10,276,261</u>

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

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collection (1)</u>	<u>Percent of Current Taxes Collected To Tax Levy</u>	<u>Delinquent Tax Collection</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collected To Total Tax Levy</u>
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
1994	1,013,722	982,232	96.89	11,729	993,961	98.05

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>
\$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
19,761	1.95

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)
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
1994	181,987,000	519,962,857	15,912,000	18,081,818

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 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	
\$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
24,260,000	97,040,000	222,159,000	635,084,675	34.98

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
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
1994	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>
\$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
9.40	57.20	0.50	0.10	73.10

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
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
1994	59,237	56,005	94.54	3,232

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, 2003

Assessed Valuation	<u><u>\$352,771,000</u></u>
Overall Debt Limitation 10.5% of Assessed Valuation	\$37,040,955
Real Estate Acquisition Note	<u>(2,100,000)</u>
Overall Debt Margin Within 10.5% Limitation	<u><u>\$34,940,955</u></u>
Unvoted Debt Limitation - 5.5% of Assessed Valuation	\$19,402,405
Real Estate Acquisition Note	<u>(2,100,000)</u>
Unvoted Debt Margin Within 5.5% Limitation	<u><u>\$21,502,405</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, 2003

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Amount Applicable to City of North Canton</u>
Overlapping:			
Stark County	\$28,711	5.39 %	\$1,548
Jackson Local School District	33,453,629	0.41	137,160
North Canton City School District	17,664,795	52.13	9,208,658
Plain Local School District	63,659,913	5.45	3,469,465
Plain Township	360,000	35.79	128,844
Stark County Library	<u>6,540,000</u>	1.11	<u>72,594</u>
<i>Total</i>	<u><u>\$121,707,048</u></u>		<u><u>\$13,018,268</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	
2003	82	\$13,056,956	389	\$14,385,870	\$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
1994	24	7,602,784	415	5,713,508	848,654

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, 2003

Taxpayer	Assessed Value	Percent of Assessed Value
Maytag Corporation - Hoover Company	\$9,426,270	3.05%
Versailles Gardens	4,000,690	1.30
McKinley Development Leasing Company Ltd.	3,331,290	1.08
First Friends Church of Canton	2,716,920	0.88
Albrecht Incorporated	2,203,010	0.71
Potsdamer Platz LLC	2,175,640	0.70
Waterford at Saint Luke	2,029,980	0.66
Berlin Commons Ltd.	1,810,040	0.59
Williamsburg Apartments Ltd.	1,597,480	0.52
CETA Group Limited Partnership	<u>1,404,100</u>	<u>0.45</u>
<i>Totals</i>	<u><u>\$30,695,420</u></u>	<u><u>9.94%</u></u>
Assessed Valuation	<u><u>\$308,739,000</u></u>	

Source: Stark County, Ohio; County Auditor

City of North Canton, Ohio
Principal Taxpayers - Tangible Personal Property
December 31, 2003

Taxpayer	Assessed Value	Percent of Assessed Value
Maytag Corporation - Hoover Company	\$23,548,090	70.39%
Kmart Corporation	638,920	1.91
Time Warner Entertainment Company	594,530	1.78
IBM Credit Corporation	518,200	1.55
General Electric Capital Business	484,350	1.45
Willis Motor Company	468,880	1.40
Marc Glassman Inc.	468,700	1.40
Fred W. Albrect Grocery Company	382,560	1.14
Spitzer Chevrolet Company	319,090	0.95
Gabriel Brothers, Inc.	<u>287,050</u>	<u>0.86</u>
<i>Totals</i>	<u><u>\$27,710,370</u></u>	<u><u>82.83%</u></u>
Assessed Valuation	<u><u>\$33,455,000</u></u>	

Source: Stark County, Ohio; County Auditor

City of North Canton, Ohio
Principal Taxpayers - Public Utility Property
December 31, 2003

Taxpayer	Assessed Value	Percent of Assessed Value
Ohio Bell Telephone	\$5,488,510	51.89%
Ohio Power Company	4,293,080	40.59
East Ohio Company	555,680	5.25
<i>Totals</i>	<u>\$10,337,270</u>	<u>97.73%</u>
Assessed Valuation	<u>\$10,577,000</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>
2003	16,369	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
1994	15,720	4,170	5.90

Sources: Federal 2000 Census and 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, 2003

Date of Incorporation	1962
Form of Government	Mayor-Administrator-Council
Area:	6.37 Square Miles 4,077 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	26
Police Protection:	
Number of Stations	1
Number of Policemen and Officers:	
Full-Time	25
Part-Time	3
Employees:	
Full-Time	111
Part-Time	73
Municipal Water Department:	
Number of Consumers	8,213
Miles of Water Mains	124.90
Average Daily Gallons Sold Per Consumer	330.00
Sewers:	
Number of Sanitary Sewer Customers	5,890
Miles of Sanitary Sewers	62.30
Miles of Storm Sewers	47.30

(continued)

City of North Canton, Ohio
Miscellaneous Statistics (continued)
December 31, 2003

Building Permits Issued:	
Residential	389
Commercial	82
Recreation and Culture:	
Number of Parks	11
Acres	191.35
Number of Public Libraries	1
Number of Volumes:	
Book Volumes	95,000
Compact Disc Recordings	10,450
Video Cassetts/DVD's	12,843
Compact Disc ROMS	992
Education:	
Attendance Centers	7
Number of Classrooms	285
Number of Administrators	26
Number of Teachers	325
Number of Students	4,933

Source: City Records



**Auditor of State
Betty Montgomery**

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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
JULY 20, 2004**