



**Auditor of State
Betty Montgomery**

CITY OF NORTH CANTON
STARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	1
Schedule of Findings.....	3

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**Auditor of State
Betty Montgomery**

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

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

To the Honorable Mayor and City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of North Canton, Stark County, Ohio, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

In a separate letter to the City's management dated June 29, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001.

In a separate letter to the City's management dated June 29, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and City Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 29, 2006

CITY OF NORTH CANTON
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund.

At the time original appropriations were adopted, total appropriations exceeded total estimated resources as follows:

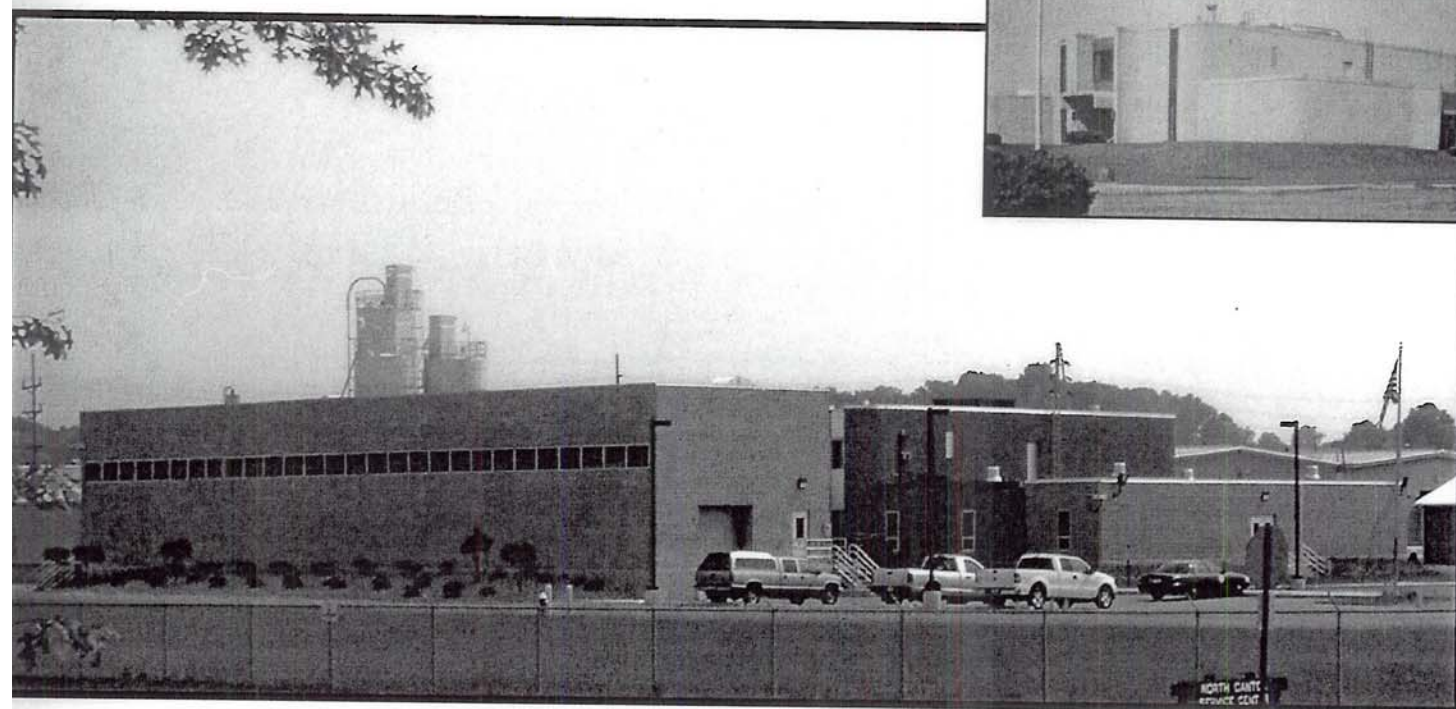
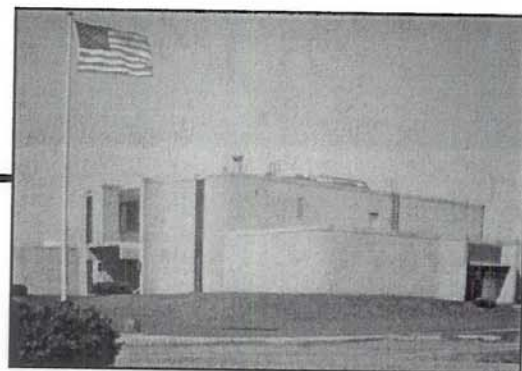
<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Major Capital Improvement Fund	\$3,811,685	\$3,926,228	\$114,543
Major Water Fund	8,579,630	12,959,163	4,379,533
Major Sewer Fund	2,871,362	3,223,059	351,697
Non-major EMS Levy Fund	1,185,243	1,211,687	26,444
Non-major Municipal Road Fund	5,000	285,000	280,000
Non-major General Trust Fund	34,290	35,089	799
Non-major Issue II Improvement Fund	0	1,991,360	1,991,360

City Council should monitor appropriations versus estimated resources to help avoid overspending.

Officials' Response: The variances noted in the finding were due to the fact that the estimated resource figures were from the 2005 tax budget. Because the tax budget is prepared six months prior to the end of the year, many revenue estimates can change significantly during that time, especially those that deal with reimbursing grants or loans. The 2005 budget, which was adopted in December 2004, was based on the most current revenue estimates and projected fund balances. However, the Certificate of Estimated Resources was not officially amended until January of 2005, at the time year-end balances were certified. I believe this finding is clearly the result of a timing issue and that there was not intent by the City to adopt a budget that exceeded estimates resources.

Auditor of State's Analysis: The City may elect to postpone the passage of the Annual Appropriation Measure until an amended certificate is received from the county budget commission based upon the actual year end balances. The City may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

City of North Canton, Ohio



Comprehensive **Annual Financial Report** For Fiscal Year Ended December 31, 2005

The inset picture is the City of North Canton's Water Treatment Plant soon after it was originally built in 1973. The larger picture is the City's Water Treatment Plant today, after almost four years of construction. To date, the City has spent over \$10.5 million in improvements and upgrades to the Water Treatment Plant. The plant has also been expanded to allow for a treatment capacity of 8.7 million gallons of water per day. The City of North Canton's Water Treatment Plant services over 8,500 customers, both inside and outside the corporate limits of the City.

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CITY OF NORTH CANTON, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2005

Julie A. Herr
Director of Finance

Prepared by the City Finance Department

Introductory Section

City of North Canton, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2005
Table of Contents

I. Introductory Section

Table of Contents	i
Letter of Transmittal.....	iv
GFOA Certificate of Achievement.....	xiii
Organizational Chart	xiv
List of Principal Officials	xv
Department of Finance Organizational Chart.....	xvi

II. Financial Section

Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual:	
General Fund.....	20
Street Construction, Maintenance and Repair Fund	21
Statement of Fund Net Assets – Proprietary Funds.....	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds	26
Statement of Fiduciary Assets and Liabilities – Agency Fund	30
Notes to the Basic Financial Statements	31

Combining and Individual Fund Statements and Schedules:

Combining Statements - Nonmajor Governmental Funds:

Fund Descriptions.....	59
Combining Balance Sheet - Nonmajor Governmental Funds	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	61
Combining Balance Sheet - Nonmajor Special Revenue Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	64

Fund Statement – Fiduciary Fund:

Fund Description	66
Statement of Changes in Assets and Liabilities - Agency Fund.....	67

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

Major Funds:	
General Fund	69
Street Construction, Maintenance and Repair Fund.....	73
Capital Improvements Fund	74
Water Fund.....	75
Sewer Fund.....	76
Garbage Service Fund	77
Nonmajor Funds:	
Fire Operating Levy Fund	78
Emergency Medical Services Levy Fund.....	79
Computer Fund.....	80
Enforcement and Education Fund	81
Storm Sewer Levy Fund.....	82
Street Levy Fund	83
Municipal Road Fund.....	84
Law Enforcement Trust Fund.....	85
General Trust Fund.....	86
Issue II Fund.....	87
Insurance Fund	88

III. Statistical Section

Governmental Activities Revenues by Source and Expenses by Function – Last Four Years.....	S1
Governmental Revenues by Source and Expenditures by Function - Last Ten Years	S2
Real and Public Utility Property Tax Levies and Collections - Last Ten Years	S4
Assessed and Estimated Actual Value of Taxable Property - Last Ten Years	S6

Property Tax Rates - Direct and Overlapping Governments - Last Ten Years	S8
Special Assessment Levies and Collections - Last Ten Years	S10
General Bonded Debt	S11
Computation of Legal Debt Margin	S12
Computation of Overlapping General Obligation Bonded Debt	S13
Construction and Bank Deposits - Last Ten Years.....	S14
Principal Taxpayers - Real Property.....	S15
Principal Taxpayers – Tangible Personal Property	S16
Principal Taxpayers - Public Utility Property	S17
Demographic Statistics – Last Ten Years	S18
Miscellaneous Statistics	S19



City of NORTH CANTON, OHIO

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

June 29, 2006

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, 2005, and has been developed to accurately detail the status of City finances to North Canton residents and elected officials, investment banks and underwriters and all other interested parties. This report is presented in compliance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"

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

The Comprehensive Annual Financial Report consists of three major sections.

1. The Introductory Section contains Table of Contents, Letter of Transmittal, the GFOA Certificate of Achievement for Excellence in Financial Reporting, the Organizational Chart for the City, the List of Principal Officials and the Organizational Chart for the Finance Department.
2. The Financial Section includes the Independent Accountants' Report, 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 Basic Financial Statements.
3. The Statistical Section presents financial, economic, social, and demographic data about the City for the last 10 years.

THE REPORTING ENTITY

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

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

The North Canton Community Improvement Corporation (CIC) is presented as a component unit. During 2005, the City approved funding of the CIC in the amount of \$1.5 million. As of December 31, 2005, \$100,000 of the \$1.5 million was transferred to the CIC. This matter is discussed in more detail later in the letter as well as in the notes to the financial statements.

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 16 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 6.73 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 2005, 79 commercial building permits were issued for a total value of \$12,691,287.

Walsh University, the City's third largest employer, continues to expand, both in physical size and enrollment. In 2005, construction began on a \$3.0 million renovation of the Barrette Business and Community Center, a \$4.5 million physical education complex and a \$3 million chapel. Over the past five years, five buildings have been added to the campus at a value of \$21 million. Also in the last five years, enrollment has increased over 50 percent and is currently at an all-time high.

Main Street in North Canton has seen a number of changes in the past year with the arrival of new businesses and improvements to existing businesses. During 2005, three new banks opened branches on Main Street including a Fifth Third Bank, Indian Village Bank and Legacy Bank. Also, a prominent full-service advertising agency relocated to Main St from outside the City. In 2005, renovations began on the historic building known as the Hoover House. Once renovations are completed, the building will contain approximately 5,500 square feet of office space.

Development of the Washington Square retail and commercial area of the City continues. Construction of the fifth and final office building within the Washington Square Office Park began in 2005. A Walgreen's drug store was under construction in 2005 and is scheduled to be open mid-2006.

During 2005, a total of 18 new single family permits were issued at a value of approximately \$4.9 million. Most of these new permits are for the City's two newest housing developments, Washington Square and Monticello. The City recently annexed a 107-acre parcel of land which will be developed with approximately 200 single-family homes and 200 multi-family units. Construction of the infrastructure for Phase 1 of this development, "The Sanctuary" was completed in late 2005. Housing construction began in early spring 2006.

The City offers two Community Reinvestment Area Tax Abatement (CRA) programs for specially designated areas within the City, the Main Street CRA and the Valley View CRA. These programs are 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 eight commercial and one residential CRA agreements in place.

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 committed to spending resources on economic development efforts. The most significant of these efforts is the funding of the City's Community Improvement Corporation (CIC) from the City's general fund in the amount of \$1.5 million. This funding, which will take place over a 15 year period, is to be used to purchase land and to offer loan assistance programs for the purpose of attracting businesses to the City. A referendum initiative resulted in this issue being placed on the November 2005 ballot which City of North Canton voters approved. As of December 31, 2005, the first \$100,000 payment was transferred to the CIC.

Also in 2005, the City hired its first full-time Director of Economic Development. With this hiring, the funding of the City's CIC, and the creation of a new Economic Development Task Force, the City has shown its commitment to promoting economic development within the City.

MAJOR INDUSTRY AFFECTING LOCAL ECONOMY

In August 2005, it was announced that the Maytag Corporation, the parent company of the City's largest employer, the Hoover Company, had agreed to be bought by its competitor, Whirlpool Corporation. This sale was approved by the shareholders of the company in December 2005. Anti-trust regulators approved the sale of Maytag to Whirlpool and the sale was finalized March 31, 2006. It is unknown at this time what impact this sale will have on the future operations of the Hoover Company in North Canton.

In other news relating to the Hoover Company, the City and Maytag officials agreed to an amended settlement agreement which restructured the final payout of the \$2,058,315 tax refund which was owed as a result of the original settlement agreement. This amount was to be paid in one lump sum within 90 days of the filing of their 2003 corporate tax return. As a result of the amended agreement, this amount will now be paid in four installments over 2005 and early 2006. See Note 20 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.

MAJOR INITIATIVES

Current Projects

During 2005, several projects were either completed or were underway for the purpose of expanding the City's water system. After the project was put on hold for several years due to contamination in 2001, Well #8 was placed in service during 2005. This well could yield 4 to 6 million gallons of water per day. A raw waterline from the well to the Water Treatment Plant was also completed in 2005. Another well is scheduled to be constructed near Well #8 during 2006.

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

Construction of the expansion to the water treatment plant continued during 2005. The expansion will increase the capacity of the water treatment plant to 8.7 million gallons per day. The City was awarded a U.S. EPA grant in the amount of \$867,300 to help fund this project. The remainder of the project was funded by a

low interest loan through the Water Supply Revolving Loan Account. The project is expected to be completed in 2006 with the loan repayment also to begin in 2006.

In April 2005, the City applied for a third low-interest rate loan through the Drinking Water Revolving Loan Account to fund further projects at the City's water treatment plant, including the construction of a backwash holding tank and emergency generator. The cost for this combined project is estimated at \$1.3 million. Construction is expected to be completed in 2006.

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

The City's water distribution continues to expand outside the borders of the City. The City will soon begin providing water service to the Akron-Canton Regional Airport and its lessees. In addition, the City will be providing water service to the Gateway Corporate Park which is currently under construction and is located between Lauby Rd and Interstate 77. In January 2006, the City began selling water to Aqua Ohio, per the City's agreement with Aqua Ohio, reached in April 2005. This will result in approximately \$250,000 in additional water fees per year.

The City continued its commitment to fund infrastructure projects. These projects include road resurfacing, curbs, gutters, and water and sanitary sewer lines. The City began construction of several major infrastructure projects during 2005, including the 9th, Orchard, and Overland rehabilitation, Phase 1 Knoll Street improvements, the Valley View rehabilitation and the Marquardt Sanitary Sewer.

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

Construction of the South Main St/Everhard Rd improvements was put on hold until the spring of 2006. Eighty percent of the project costs, estimated at \$3 million, are to be funded with Federal Surface Transportation funds. The other twenty percent will be funded with State Issue 2 funds. This project entails widening South Main Street to include left turn lanes on to Everhard Road as well as rebuilding the County owned bridge on South Main Street. The design of this project was funded by the City and Stark County.

The success of the City's curbside recycling program continued on into 2005. The City received a \$60,000 grant from the Tri-County Solid Waste District to help fund the recycling program. Also in 2005, the success of the City's leaf recycling program continued to grow. The City used grant funds to purchase leaf recycling bags for its residents. The City also used grant funds to start a Christmas tree recycling program in 2005.

Future Projects

The Hoover Connector recreation trail will be extended through the North Canton Preserve Park under a partnership between the City and the Stark County Park District. This is the second phase of the Hoover Connector Trail. The City will be contributing approximately \$70,000 for this project. The City has also committed \$75,000 in the 2006 budget for the construction of a pedestrian bridge for the trail.

In late 2005, two projects submitted for Ohio Public Works Commission funds were given local approval. The first submittal was for a \$1.2 million grant for construction costs relating to continuation of the City's streetscape program on a portion of South Main Street. The second submittal was for a 0 percent loan for the construction of a \$1.1 million pump station located at Water Tower 2. Both projects are expected to begin construction in 2006, once formal approval has been received by the State and grant agreements are in place. In early 2006, the City received local approval for two of three projects submitted for Community Development Block Grant (CDBG) Funds. These two projects include the replacement of a water line on Sixth St NE and the replacement of a water line on Woodrow St NW. The grant funds tentatively awarded were \$99,325 and \$117,500 respectively. The first project is slated for 2006 while the second project is scheduled for 2008.

In 2006, the City committed almost \$6.0 million in funds for various infrastructure projects, including \$845,000 for the Bonnett and Lynhurst SW rehabilitation, \$580,000 for the McKinley SE improvements, and \$863,430 for expansion of waterlines outside the City.

FINANCIAL INFORMATION

Introduction

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

Internal Accounting Controls

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

Accounting Policies and Budgetary Controls

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

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and the City Charter. According to the City's charter, the Mayor, with the assistance of the Finance Director, is required to submit to Council a schedule of anticipated revenue for the succeeding year by May 15 and a schedule of anticipated expenditures for the succeeding year by June 15. By July 15, after a public hearing, the City must adopt a tax budget for the succeeding year. The tax budget is then presented for review to the County Budget Commission, which is comprised of the County Auditor, Treasurer and Prosecuting Attorney.

After approval of the tax budget, the County Budget Commission certifies its action to the City and remits to the City a Certificate of Estimated Resources. The Finance Director then submits to Council an appropriation ordinance for the succeeding year. Council is required to adopt the appropriation ordinance (the budget) within ninety days of the beginning of the year covered by such ordinance. Annual appropriations may not exceed the County Budget Commission's Certificate of Estimated Resources. The appropriation ordinance adopted by Council is at the fund level, the legal level of control.

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

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

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

New Financial Reporting Model

This is the fourth 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 2005 and a discussion of current issues affecting the City.

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, 2005, 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, 2004. 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 seventeen consecutive years (1988 - 2004). 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 eighteenth consecutive Comprehensive Annual Financial Report (CAFR) issued by the City of North Canton. We would like to thank the Mayor and Members of Council for their support that has allowed the upgrading of the Financial and Accounting Information System to the status that residents of the City of North Canton demand and deserve.

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

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

Respectfully submitted,



Julie A. Herr
Director of Finance

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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, 2004

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.



Carla E. Perry

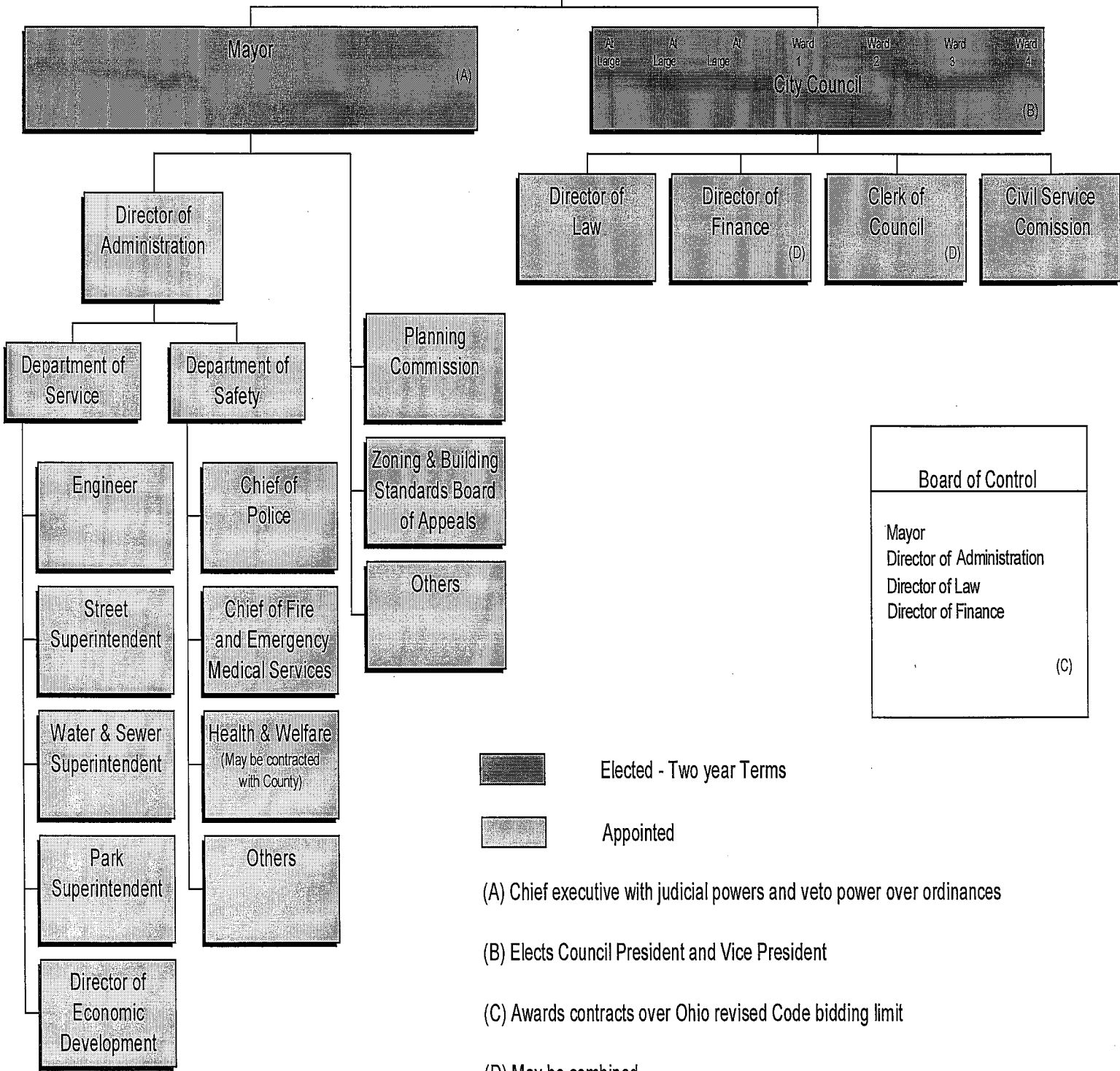
President

Jeffrey R. Emer

Executive Director

The City of North Canton, Ohio
 Charter Government
 Organizational Chart

Citizens of North Canton



Elected - Two year Terms
 Appointed

- (A) Chief executive with judicial powers and veto power over ordinances
- (B) Elects Council President and Vice President
- (C) Awards contracts over Ohio revised Code bidding limit
- (D) May be combined

**CITY OF NORTH CANTON
LIST OF PRINCIPAL OFFICIALS
AS OF DECEMBER 31, 2005**

ELECTED CITY OFFICIALS

MAYOR

HONORABLE DAVID J. HELD

CITY COUNCIL

DOUGLAS V. FOLTZ, PRESIDENT
WARD 1

PATRICK A. DE ORIO, AT-LARGE

SUSAN R. HINES, AT-LARGE

JAMES A. REPACE, AT-LARGE

KATHLEEN A. MAGEL, WARD 2

DOUGLAS A. LANE, WARD 3

JON F. SNYDER, WARD 4

APPOINTED CITY OFFICIALS

DIRECTOR OF FINANCE

JULIE A. HERR

DIRECTOR OF ADMINISTRATION

EARLE E. WISE, JR

DIRECTOR OF LAW

PAUL J. PUSATERI

CLERK OF COUNCIL

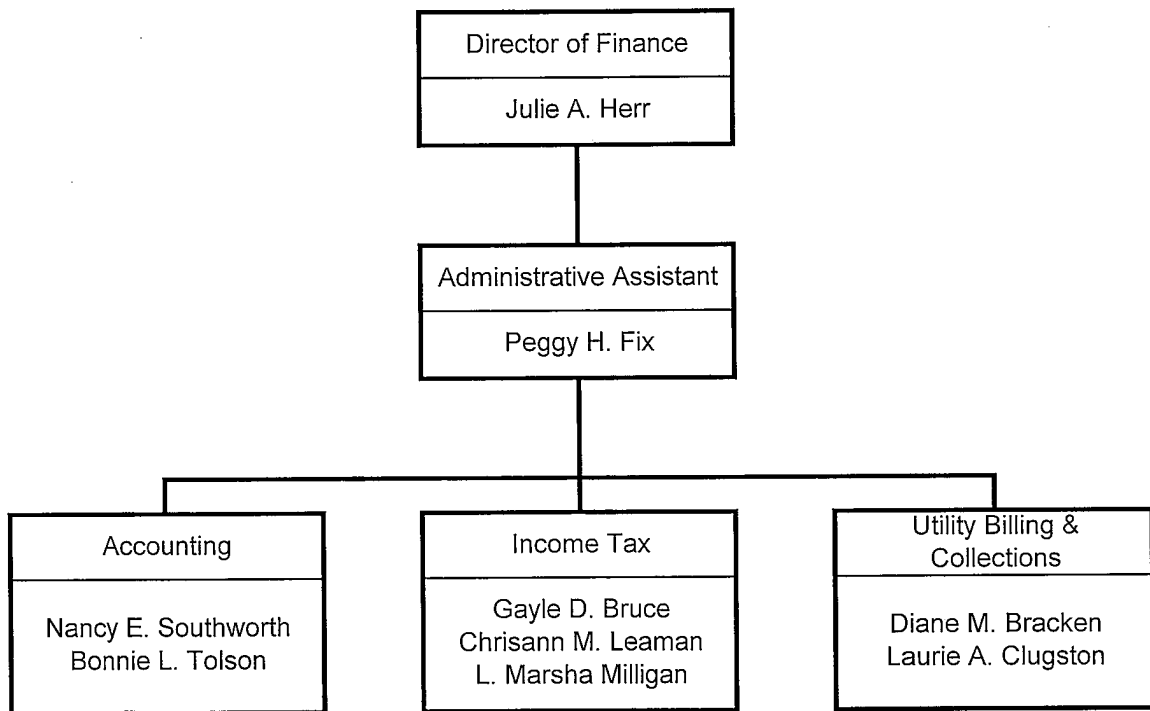
GAIL M. KALPAC

The City of North Canton, Ohio

Department of Finance

Organizational Chart

As of December 31, 2005



Financial Section



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of North Canton, Stark County, Ohio, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of North Canton, Stark County, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and the Street Construction, Maintenance and Repair Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

June 29, 2006

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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, 2005. 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 2005 are as follows:

- Total Net Assets increased \$2,706,861 from 2004. Net Assets of governmental activities increased \$194,682 from 2004, an increase of less than one percent. Net Assets of business-type activities increased \$2,512,179 over 2004, an increase of 11.1 percent.
- Total Assets of the City increased \$6,318,148 or 8.6 percent above the 2004 level.
- Total Liabilities of the City increased \$3,611,287. This is an increase of 18.2 percent from the previous year.
- Total Capital Assets increased \$6,184,731, an increase of 10.9 percent over 2004.
- Total Outstanding Debt increased \$2,126,540, an increase of 13.3 percent over 2004.

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 2005 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. The accrual basis of accounting records all revenues when they are earned, not when the actual cash is received, and books expenses when they are incurred, not when the invoices are paid.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

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

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

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

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

Fund Financial Statements

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

In this report, the focus is on six major funds, the General Fund, Street Construction, Maintenance and Repair Fund, Capital Improvements Fund, Water Fund, Sewer Fund, and 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 are 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, except for residual amounts from internal service funds.

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 2005 as they compare to 2004.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other Assets	\$13,172,864	\$13,558,946	\$4,201,300	\$3,681,801	\$17,374,164	\$17,240,747
Capital Assets, Net	26,115,336	24,585,936	36,574,943	31,919,612	62,690,279	56,505,548
Total Assets	39,288,200	38,144,882	40,776,243	35,601,413	80,064,443	73,746,295
Liabilities						
Current and Other Liabilities	4,229,494	2,045,766	1,661,757	3,140,367	5,891,251	5,186,133
Long-Term Liabilities:						
Due Within One Year	2,766,059	1,819,838	3,253,741	149,371	6,019,800	1,969,209
Due in More than One Year	1,112,531	3,293,844	10,458,220	9,421,329	11,570,751	12,715,173
Total Liabilities	8,108,084	7,159,448	15,373,718	12,711,067	23,481,802	19,870,515
Net Assets						
Invested in Capital Assets, Net of Related Debt	22,671,549	22,785,936	22,540,242	19,996,103	45,211,791	42,782,039
Restricted:						
Capital Projects	2,926,256	1,560,922	0	0	2,926,256	1,560,922
Street Construction, Maintenance and Repair	211,489	280,980	0	0	211,489	280,980
Fire Operations	22,563	52,635	0	0	22,563	52,635
Emergency Medical Services	28,623	124,284	0	0	28,623	124,284
Computer Systems	29,538	27,848	0	0	29,538	27,848
Storm Sewer	99,180	79,103	0	0	99,180	79,103
Donations for Supplies	31,479	30,354	0	0	31,479	30,354
Other Purposes	7,844	9,552	0	0	7,844	9,552
Unrestricted	5,151,595	6,033,820	2,862,283	2,894,243	8,013,878	8,928,063
Total Net Assets	\$31,180,116	\$30,985,434	\$25,402,525	\$22,890,346	\$56,582,641	\$53,875,780

Total assets increased in 2005 by \$6,318,148. This was the result of an increase in capital assets of \$6,184,731 and an increase in current assets of \$133,417. Total assets from business type activities increased by \$5,174,830, of which \$4,655,331 was due to an increase in capital assets. Capital assets increased as a result of several major construction projects at the City's Water Treatment Plant, including the completion of Phase 1 improvements and upgrades, the continuation of Phase 2 expansion and the start of construction of a backwash tank and stand-by generator. The remainder of the increase in capital assets is from new and replacement water line and sewer line projects.

Total liabilities increased by \$3,611,287 in 2005. Total liabilities of governmental activities increased by \$948,636 from the issuance of short-term debt to fund street improvement projects. Liabilities of business-type activities increased by \$2,662,651. This increase is attributed to long term debt the City assumed to fund the improvements to and expansion of the Water Treatment Plant.

Total net assets increased by \$2,706,861. This is the result of an increase in total assets offset by a smaller increase in total liabilities.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 shows the changes in net assets for the year ended December 31, 2005 for both our Governmental activities and our Business-Type activities.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues:						
Charges for Services	\$1,057,209	\$833,365	\$7,379,749	\$6,409,975	\$8,436,958	\$7,243,340
Operating Grants and Contributions	556,158	532,454	60,000	60,000	616,158	592,454
Capital Grants	150,425	200,034	1,639,178	867,300	1,789,603	1,067,334
General Revenues:						
Property Taxes	1,233,289	1,264,521	0	0	1,233,289	1,264,521
Municipal Income Taxes	6,589,414	6,072,113	0	0	6,589,414	6,072,113
Grants and Entitlements	1,551,328	1,405,706	0	0	1,551,328	1,405,706
Interest	295,629	190,782	0	5,317	295,629	196,099
Other	38,953	137,593	41,163	89,178	80,116	226,771
Total Revenues	11,472,405	10,636,568	9,120,090	7,431,770	20,592,495	18,068,338
Program Expenses						
General Government	2,299,022	2,320,121	0	0	2,299,022	2,320,121
Security of Persons and Property						
Police	3,038,460	2,989,872	0	0	3,038,460	2,989,872
Fire	602,558	698,556	0	0	602,558	698,556
Public Health and Welfare	1,290,268	1,265,192	0	0	1,290,268	1,265,192
Transportation	1,988,890	2,406,573	0	0	1,988,890	2,406,573
Community Environment	397,328	312,279	0	0	397,328	312,279
Leisure Time Activities	1,190,514	1,100,428	0	0	1,190,514	1,100,428
Basic Utility Services	287,468	323,784	0	0	287,468	323,784
Intergovernmental	100,000	0	0	0	100,000	0
Interest and Fiscal Charges	83,215	40,583	0	0	83,215	40,583
Water	0	0	4,062,394	3,417,874	4,062,394	3,417,874
Sewer	0	0	1,960,523	2,124,674	1,960,523	2,124,674
Garbage	0	0	584,994	571,971	584,994	571,971
Total Expenses	11,277,723	11,457,388	6,607,911	6,114,519	17,885,634	17,571,907
<i>Increase(Decrease) in Net Assets</i>	194,682	(820,820)	2,512,179	1,317,251	2,706,861	496,431
Net Assets Beginning of Year	30,985,434	31,806,254	22,890,346	21,573,095	53,875,780	53,379,349
Net Assets End of Year	\$31,180,116	\$30,985,434	\$25,402,525	\$22,890,346	\$56,582,641	\$53,875,780

Governmental Activities

The funding for governmental activities comes from a number of 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, 2005
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 1.5 percent of the income taxed in that city. According to the City's Income Tax Ordinance, income tax revenues are to be allocated as follows: after paying all costs associated with the operation of the income tax department, the balance of the first 1.0 percent is to be allocated 30 percent to the capital improvement fund and 70 percent to the general fund. The remaining 0.5 percent shall be allocated for the payment of debt service on bonds outstanding and to the extent not so appropriated, for general municipal operations and capital improvements as determined by Council. On a full accrual basis, the City received income tax revenues of \$6,589,414. This amount reflects the \$1.5 million in income tax refunds paid back to the Maytag Corporation pursuant to the revised settlement agreement entered into in January 2005. This agreement is discussed in more detail in the notes to the financial statements.

The operations of the City's police department and general government account for the largest expenses of the governmental activities, representing approximately 27 percent and 20 percent, respectively, of the total governmental activities expenses. The City's police department is a full-time 24-hour a day, 365-days a year department, with a full-time chief, 6 lieutenants, and 18 patrolmen.

During 2005, 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 is a division of the Fire Department and is under the direction of the Chief of Fire and EMS. The department has nine full-time paramedic/EMT's, three of whom are Captains. The remainder of the staffing needs is met by 25 part-time personnel. The EMS department is also accounted for in a separate fund which receives a 1.0 mill property tax levy. Additional funding is derived by billing for transports provided to residents and non-residents of the City. However, residents are only billed to the extent of their insurance coverage. These revenues, which amounted to \$314,046 in 2005, 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 8,544 customers, of which, 6,138 are located inside the City, and 2,406 are located outside the City. The City's water rate for inside residential customers starts at \$3.58 per thousand gallons, while rates for outside residential customers start at \$6.73 per thousand gallons. City Council passed legislation in 2004 which provides for automatic rate increases of between 5 and 7 percent on an annual basis, beginning in 2005 through 2009.

The City's water treatment plant treats an average of 3.5 million gallons of water per day with a capacity to treat an additional 2.5 million gallons per day. The raw water is supplied by eight wells throughout the City. The water treatment plant was built in 1971. The construction of improvements and upgrades to the plant was completed in 2005 at a total project cost of \$6.5 million. Construction of the expansion of the water treatment plant began in 2005 and is expected to be completed in early 2006. This expansion will increase the capacity of the plant to 8.7 million gallons per day. The estimated cost of the expansion project is \$4.2 million, of which \$867,300 was funded by a U.S. EPA grant.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The City contracts with the City of Canton to provide sewer treatment services. The City does own and maintain sewer lines throughout the City. The City has 6,197 sewer customers. Residential customers pay a flat sewer fee of \$19.00 per month while business customers pay a minimum rate of \$13.30 for 5,000 gallons and then \$2.65 for each additional 1,000 gallons.

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

The revenues and expenses for these three utilities are reported under the Business Type Activities on Table 2. The revenues come primarily from charges for services. In 2005, charges for services of \$7,379,749 accounted for 81 percent of the revenues. The total expenses for the utilities were \$6,607,911. Revenues exceeded expenses by \$2,512,179 for the Business-Type Activities.

The City's Funds

Information about the City's governmental funds begins on page 16. These funds are reported using the modified accrual method of accounting. All governmental funds had revenues of \$10,574,295 and expenditures of \$14,358,285. The general fund had revenues of \$6,557,121 and expenditures of \$8,096,873. The street construction, maintenance and repair fund had revenues of \$513,829 and expenditures of \$1,223,267 and an operating transfer of \$590,000 to cover the balance of expenditures. The capital improvements fund had revenues of \$2,314,899 and expenditures of \$2,848,968.

The City's general fund reflected a decrease in fund balance of \$3,037,662. This decrease is primarily due to the payment of \$1.5 million in refunded taxes owed to the Maytag Corporation and the repayment of the \$1.8 million note.

Information about the City's business-type funds begins on page 22. These funds are accounted for on an accrual basis. The water fund had operating revenues of \$4,788,805 which exceeded operating expenses of \$3,428,612. The sewer fund had operating revenues of \$2,061,881 and expenses of \$1,957,886. The garbage fund had operating revenues of \$558,940 and operating expenses of \$584,994.

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 2005 there were seventeen 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.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

For the general fund, original and final budgeted revenues were \$4,562,694 and \$4,808,111 and actual revenue collections were \$5,603,925. The majority of the increase in actual revenue over the original and final budgeted amounts is from income taxes. Original and final budgeted expenditures were \$8,831,547 and \$8,931,548 while actual expenditures were \$8,411,327. The City's ending unencumbered cash balance in the general fund was \$1,333,125 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$5,127,873	\$5,078,867	\$816,024	\$594,842	\$5,943,897	\$5,673,709
Construction in Progress	1,426,995	219,855	5,363,385	10,363,784	6,790,380	10,583,639
Buildings	2,925,113	3,031,163	7,731,902	3,322,364	10,657,015	6,353,527
Land Improvements	607,772	635,258	364,075	129,774	971,847	765,032
Equipment	2,154,112	2,094,472	2,835,484	980,351	4,989,596	3,074,823
Infrastructure						
Streets	9,362,672	9,106,425	0	0	9,362,672	9,106,425
Water Lines	0	0	14,503,388	11,722,832	14,503,388	11,722,832
Storm Sewers	4,426,334	4,329,689	0	0	4,426,334	4,329,689
Sewer Lines	0	0	4,960,685	4,805,665	4,960,685	4,805,665
Bridges	84,465	90,207	0	0	84,465	90,207
<i>Totals</i>	<u>\$26,115,336</u>	<u>\$24,585,936</u>	<u>\$36,574,943</u>	<u>\$31,919,612</u>	<u>\$62,690,279</u>	<u>\$56,505,548</u>

Total Capital Assets for the City of North Canton for the year ended December 31, 2005 were \$62,690,279, an increase of \$6,184,731 over the 2004 figure of \$56,505,548. The majority of this increase was due to projects under the business-type activities, including the completion of upgrades and improvements to the water treatment plant, the construction of the water treatment plant expansion, the construction of a backwash tank and stand by generator, and numerous water line and sewer line projects. See Note 12 in the financial statements for more information regarding the City's capital assets.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Debt

The outstanding debt for the City of North Canton as of December 31, 2005 was \$18,039,790. This balance reflects an increase of \$2,126,540 from the previous year's balance of \$15,913,250, an increase of 13.4 percent.

Table 4
 Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Settlement Agreement Payable	\$558,315	\$2,058,315	\$0	\$0	\$558,315	\$2,058,315
Notes Payable	3,300,000	1,800,000	3,548,000	2,850,000	6,848,000	4,650,000
OWDA Payable	0	0	10,633,475	9,204,935	10,633,475	9,204,935
<i>Total</i>	\$3,858,315	\$3,858,315	\$14,181,475	\$12,054,935	\$18,039,790	\$15,913,250

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

In June 2005, the City rolled over its \$1.8 million in taxable Real Estate Acquisition Notes into new one year notes at the same amount. These notes were issued at the rate of 3.25 percent and will mature June 28, 2006. These notes were "purchased" by the City to be maintained in the City's investment portfolio.

In February 2005, the City issued \$3.0 million in one year water system improvement notes at a rate of 3.25 percent. The City also issued \$2,048,000 in various purpose notes for the purpose of funding \$1,500,000 in street improvements as well as \$548,000 in sanitary sewer improvements. These notes were issued at a rate of 4.00 percent and mature August 8, 2006.

The OWDA debt under the business type activities is the combination of four separate loans, all administered by the Ohio Water Development Authority (OWDA), the last three of which were low-interest loans obtained through the Ohio Drinking Water Assistance Fund. 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 2004. This loan is to be paid over twenty years with the first repayment made in 2005. The third OWDA loan is for the expansion of the water treatment plant. The fourth OWDA loan is for the construction of a backwash tank and stand by power generator. Both of these loans have a twenty year repayment schedule. See Notes 19 and 20 for more information.

Economic Factors and Next Year's Budget

The following are some of the economic factors that the City has taken into account during the development of the 2006 budget:

- The status of the City's largest employer, the Hoover Company, is uncertain at this time due to the pending sale of the Hoover Company's parent company, Maytag Corporation, to the Whirlpool Corporation. This sale is expected to be completed during 2006.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

- Employment levels at the Hoover Company plant have decreased over the last few months of 2005 and are expected to continue into 2006. Reduced income tax collections have been forecast for 2006.
- Because of the economic conditions the City is facing, the City cut back on all budget requests and prepared the 2006 budget using a three year spending average. The department heads are working diligently to adjust their operations to reflect the budget cuts.
- As mentioned previously, the City committed \$1.5 million to the North Canton Community Improvement Corporation to assist the Corporation's efforts in pursuing economic development opportunities for the City. This funding came from the City's general fund and will be transferred to the CIC on an annual basis over a 15 year period.
- The City was awarded two Ohio Public Works Commission loan enhancement grants during 2005 in the amounts of \$266,202 and \$518,081, respectively. These grants will be used to offset capitalized interest and installment interest costs on two OWDA loans used to fund improvements at the Water Treatment Plant. The initial disbursement of these funds was received in 2005 with the remainder to be received in 2006.
- In 2004, North Canton voters approved two replacement property tax levies for the purpose of funding street improvements and storm sewer improvements in the amount of 1.0 mill each. These replacement levies will bring an additional \$546,000 in property tax revenues to the City, beginning in 2006.

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 preparing our eighteenth Comprehensive Annual Financial Report. We will be submitting our 2005 CAFR for the Government Finance Officers Certificate of Achievement for Excellence in Financial Reporting.

Contacting the City's Finance Department

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

BASIC FINANCIAL

STATEMENTS

City of North Canton, Ohio
Statement of Net Assets
December 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	North Canton Community Improvement Corporation
Assets				
Cash and Cash Equivalents	\$5,386,886	\$2,829,199	\$8,216,085	\$0
Cash and Cash Equivalents				
In Segregated Accounts	33,028	0	33,028	0
With Fiscal Agents	0	0	0	100,003
With Escrow Agent	1,400,000	0	1,400,000	0
Investments	1,800,000	0	1,800,000	0
Materials and Supplies Inventory	55,977	62,270	118,247	0
Accrued Interest Receivable	75,986	0	75,986	0
Accounts Receivable	120,454	885,653	1,006,107	0
Intergovernmental Receivable	1,395,079	109,991	1,505,070	0
Prepaid Items	33,680	14,005	47,685	0
Property Taxes Receivable	1,750,422	0	1,750,422	0
Municipal Income Taxes Receivable	1,172,131	0	1,172,131	0
Special Assessment Receivable	3,320	99,309	102,629	0
Internal Balances	(54,099)	54,099	0	0
Deferred Charges	0	146,774	146,774	0
Nondepreciable Capital Assets	6,554,868	6,179,409	12,734,277	0
Depreciable Capital Assets, Net	19,560,468	30,395,534	49,956,002	0
<i>Total Assets</i>	<u>39,288,200</u>	<u>40,776,243</u>	<u>80,064,443</u>	<u>100,003</u>
Liabilities				
Accounts Payable	74,160	49,545	123,705	0
Contracts Payable	458,710	490,787	949,497	0
Accrued Wages	101,372	22,895	124,267	0
Matured Compensated Absences Payable	19,729	20,734	40,463	0
Intergovernmental Payable	237,771	116,038	353,809	0
Deferred Revenue	1,740,561	0	1,740,561	0
Claims Payable	40,076	0	40,076	0
Accrued Interest Payable	57,115	113,758	170,873	0
Notes Payable	1,500,000	848,000	2,348,000	0
Long-Term Liabilities:				
Due Within One Year	2,766,059	3,253,741	6,019,800	0
Due In More Than One Year	1,112,531	10,458,220	11,570,751	0
<i>Total Liabilities</i>	<u>8,108,084</u>	<u>15,373,718</u>	<u>23,481,802</u>	<u>0</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	22,671,549	22,540,242	45,211,791	0
Restricted for:				
Capital Projects	2,926,256	0	2,926,256	0
Street Construction, Maintenance and Repair	211,489	0	211,489	0
Fire Operations	22,563	0	22,563	0
Emergency Medical Services	28,623	0	28,623	0
Computer Systems	29,538	0	29,538	0
Storm Sewer	99,180	0	99,180	0
Donations for Supplies	31,479	0	31,479	0
Other Purposes	7,844	0	7,844	0
Unrestricted	5,151,595	2,862,283	8,013,878	100,003
<i>Total Net Assets</i>	<u>\$31,180,116</u>	<u>\$25,402,525</u>	<u>\$56,582,641</u>	<u>\$100,003</u>

See accompanying notes to the basic financial statements

City of North Canton, Ohio
Statement of Activities
For the Year Ended December 31, 2005

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$2,299,022	\$250,259	\$3,750	\$0
Security of Persons and Property				
Police	3,038,460	11,741	22,463	0
Fire	602,558	0	8,568	0
Public Health and Welfare	1,290,268	314,046	4,000	0
Transportation	1,988,890	0	517,377	150,425
Community Environment	397,328	104,782	0	0
Leisure Time Activities	1,190,514	376,381	0	0
Basic Utility Services	287,468	0	0	0
Intergovernmental	100,000	0	0	0
Interest and Fiscal Charges	83,215	0	0	0
Total Governmental Activities	11,277,723	1,057,209	556,158	150,425
Business-Type Activities				
Water	4,062,394	4,760,279	0	1,015,828
Sewer	1,960,523	2,060,530	0	623,350
Garbage	584,994	558,940	60,000	0
<i>Total Business-Type Activities</i>	<i>6,607,911</i>	<i>7,379,749</i>	<i>60,000</i>	<i>1,639,178</i>
Total - Primary Government	\$17,885,634	\$8,436,958	\$616,158	\$1,789,603
Component Unit				
North Canton Community Improvement Corporation	\$0	\$0	\$100,000	\$0

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
 Capital Improvement
Grants and Entitlements not Restricted
to Specific Programs
Interest
Gain on Sale of Capital Assets
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			
Primary Government			Component Unit
Governmental Activities	Business-Type Activity	Total	North Canton Community Improvement Corporation
(\$2,045,013)	\$0	(\$2,045,013)	\$0
(3,004,256)	0	(3,004,256)	0
(593,990)	0	(593,990)	0
(972,222)	0	(972,222)	0
(1,321,088)	0	(1,321,088)	0
(292,546)	0	(292,546)	0
(814,133)	0	(814,133)	0
(287,468)	0	(287,468)	0
(100,000)	0	(100,000)	0
(83,215)	0	(83,215)	0
(9,513,931)	0	(9,513,931)	0
0	1,713,713	1,713,713	0
0	723,357	723,357	0
0	33,946	33,946	0
0	2,471,016	2,471,016	0
(9,513,931)	2,471,016	(7,042,915)	0
0	0	0	100,000
780,276	0	780,276	0
91,580	0	91,580	0
166,613	0	166,613	0
97,410	0	97,410	0
97,410	0	97,410	0
4,013,121	0	4,013,121	0
2,576,293	0	2,576,293	0
1,551,328	0	1,551,328	0
295,629	0	295,629	3
0	11,286	11,286	0
38,953	29,877	68,830	0
9,708,613	41,163	9,749,776	3
194,682	2,512,179	2,706,861	100,003
30,985,434	22,890,346	53,875,780	0
\$31,180,116	\$25,402,525	\$56,582,641	\$100,003

City of North Canton, Ohio

Balance Sheet

Governmental Funds

December 31, 2005

	General	Street Construction, Maintenance and Repair	Capital Improvements
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,807,056	\$76,409	\$2,739,195
Cash and Cash Equivalents in Segregated Accounts	0	0	0
Cash and Cash Equivalents with Escrow Agent	1,400,000	0	0
Investments	1,800,000	0	0
Materials and Supplies Inventory	14,754	38,477	0
Accrued Interest Receivable	75,986	0	0
Accounts Receivable	616	0	0
Intergovernmental Receivable	866,531	263,839	135,891
Due from Other Funds	1,306	0	0
Prepaid Items	19,262	5,321	0
Property Taxes Receivable	795,204	0	0
Municipal Income Taxes Receivable	840,038	0	332,093
Special Assessment Receivable	3,320	0	0
<i>Total Assets</i>	<u>\$7,624,073</u>	<u>\$384,046</u>	<u>\$3,207,179</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$21,219	\$48,321	\$0
Contracts Payable	0	0	329,874
Accrued Wages	52,280	7,603	0
Matured Compensated Absences Payable		0	0
Intergovernmental Payable	170,766	14,413	
Due to Other Funds	0	0	0
Deferred Revenue	2,111,749	220,949	180,285
Accrued Interest Payable	0	0	24,167
Notes Payable	0	0	1,500,000
<i>Total Liabilities</i>	<u>2,356,014</u>	<u>291,286</u>	<u>2,034,326</u>
Fund Balances			
Reserved for Encumbrances	13,292	3,720	259,140
Unreserved:			
Designated for CIC	1,400,000	0	0
Undesignated (Deficit), Reported in:			
General Fund	3,854,767	0	0
Special Revenue Funds	0	89,040	0
Capital Projects Funds	0	0	913,713
<i>Total Fund Balances</i>	<u>5,268,059</u>	<u>92,760</u>	<u>1,172,853</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,624,073</u>	<u>\$384,046</u>	<u>\$3,207,179</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, 2005*

Other Governmental Funds	Total Governmental Funds
\$485,824	\$5,108,484
33,028	33,028
0	1,400,000
0	1,800,000
2,746	55,977
0	75,986
119,838	120,454
128,818	1,395,079
154	1,460
9,097	33,680
955,218	1,750,422
0	1,172,131
0	3,320
<u>\$1,734,723</u>	<u>\$12,950,021</u>
\$4,620	\$74,160
128,836	458,710
41,489	101,372
19,729	19,729
52,592	237,771
1,460	1,460
1,069,280	3,582,263
0	24,167
0	1,500,000
<u>1,318,006</u>	<u>5,999,632</u>
2,734,418	3,010,570
0	1,400,000
0	3,854,767
290,868	379,908
(2,608,569)	(1,694,856)
<u>416,717</u>	<u>6,950,389</u>
<u>\$1,734,723</u>	<u>\$12,950,021</u>

Total Governmental Fund Balances \$6,950,389

*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 26,115,336

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

Delinquent Property Taxes	9,861
Investment Income	39,682
Intergovernmental	1,152,519
Special Assessment	3,320
Municipal Income Taxes	<u>636,320</u>

Total 1,841,702

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(1,376,488)
Capital Lease	(143,787)
Notes Payable	(1,800,000)
Settlement Agreement Payable	<u>(558,315)</u>

Total (3,878,590)

In the statement of activities, interest is accrued on outstanding liabilities, whereas in governmental funds, an interest expenditures is reported when due.

Accrued Interest Payable (32,948)

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. 238,326

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. (54,099)

Net Assets of Governmental Activities \$31,180,116

City of North Canton, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Street Construction, Maintenance and Repair	Capital Improvements
Revenues			
Property and Other Taxes	\$783,030	\$0	\$0
Municipal Income Taxes	3,731,806	0	2,179,008
Charges for Services	481,565	0	0
Fines and Forfeitures	61,592	0	0
Intergovernmental	1,077,260	511,527	135,891
Interest	304,147	0	0
Contributions and Donations	6,250	0	0
Rentals	96,054	0	0
Ambulance Fees	0	0	0
Other	15,417	2,302	0
<i>Total Revenues</i>	<u>6,557,121</u>	<u>513,829</u>	<u>2,314,899</u>
Expenditures			
Current:			
General Government	2,012,204	0	0
Security of Persons and Property:			
Police	2,907,765	0	0
Fire	0	0	0
Public Health and Welfare	87,067	0	0
Transportation	0	1,223,267	0
Community Environment	393,027	0	0
Leisure Time Activities	1,042,960	0	0
Basic Utility Services	0	0	0
Intergovernmental	100,000	0	0
Settlement Agreement	1,500,000	0	0
Capital Outlay	0	0	2,822,588
Debt Service:			
Principal Retirement	0	0	2,213
Interest and Fiscal Charges	53,850	0	24,167
<i>Total Expenditures</i>	<u>8,096,873</u>	<u>1,223,267</u>	<u>2,848,968</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>(1,539,752)</u>	<u>(709,438)</u>	<u>(534,069)</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	17,090	21,923	0
Notes Issued	1,800,000	0	0
Current Refunding	(1,800,000)	0	0
Inception of Capital Lease	0	0	146,000
Transfers In	0	590,000	0
Transfers Out	(1,515,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,497,910)</u>	<u>611,923</u>	<u>146,000</u>
<i>Net Change in Fund Balances</i>	<u>(3,037,662)</u>	<u>(97,515)</u>	<u>(388,069)</u>
<i>Fund Balances Beginning of Year</i>	<u>8,305,721</u>	<u>190,275</u>	<u>1,560,922</u>
<i>Fund Balances End of Year</i>	<u>\$5,268,059</u>	<u>\$92,760</u>	<u>\$1,172,853</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, 2005*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	(\$3,587,469)
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$451,943	\$1,234,973	Governmental funds report capital outlays as expenditures.	
217,000	6,127,814	However, in the statement of activities, the cost of those	
0	481,565	assets is allocated over their estimated useful lives as	
102,512	164,104	depreciation expense. This is the amount by which capital	
81,711	1,806,389	outlays exceeded depreciation in the current period.	
0	304,147	Capital Asset Additions	3,226,978
0	6,250	Current Year Depreciation	<u>(1,672,646)</u>
0	96,054	Total	1,554,332
314,046	314,046		
21,234	38,953		
<u>1,188,446</u>	<u>10,574,295</u>	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.	(24,932)
100,712	2,112,916	Revenues in the statement of activities that do not provide	
		current financial resources are not reported as revenues	
6,963	2,914,728	in the funds.	
532,590	532,590	Delinquent Property Taxes	(1,684)
1,168,798	1,255,865	Interest	(8,518)
107,084	1,330,351	Special Assessments	1,440
0	393,027	Grants	445,272
627	1,043,587	Municipal Income Taxes	<u>461,600</u>
116,710	116,710	Total	898,110
0	100,000		
0	1,500,000	Repayment of debt is an expenditure in the governmental funds, but the	
155,693	2,978,281	repayment reduces long-term liabilities in the statement of net assets.	
0	2,213	Settlement Agreement Payable	1,500,000
0	78,017	Capital Lease Payable	<u>2,213</u>
<u>2,189,177</u>	<u>14,358,285</u>	Total	1,502,213
		In the statement of activities, interest is accrued on outstanding	
(1,000,731)	(3,783,990)	long-term notes payable, whereas in governmental funds,	
		an interest expenditure is reported when due.	(5,198)
11,508	50,521	Some expenses reported in the statement of activities,	
0	1,800,000	do not require the use of current financial resources	
0	(1,800,000)	and therefore are not reported as expenditures in	
0	146,000	governmental funds.	
925,000	1,515,000	Compensated Absences	(121,121)
0	(1,515,000)	Inception of Capital Lease	<u>(146,000)</u>
<u>936,508</u>	<u>196,521</u>	Total	(267,121)
(64,223)	(3,587,469)	The internal service fund used by management to charge the	
		cost of insurance to individual funds is not reported in the	
480,940	10,537,858	entity-wide statement of activities. Governmental fund	
		expenditures and related internal service fund revenues	
\$416,717	\$6,950,389	are eliminated. The net revenue (expense) of the internal	
		service fund is allocated among the governmental activities.	<u>124,747</u>
		<i>Change in Net Assets of Governmental Activities</i>	<u>\$194,682</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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Taxes	\$795,386	\$805,401	\$783,030	(\$22,371)
Municipal Income Taxes	1,990,000	1,985,800	2,666,050	680,250
Charges for Services	463,000	435,000	481,565	46,565
Fines and Forfeitures	67,000	67,000	60,286	(6,714)
Intergovernmental	751,308	1,164,410	1,176,299	11,889
Interest	400,000	250,000	319,590	69,590
Contributions and Donations	0	0	6,250	6,250
Rentals	0	0	96,054	96,054
Other	96,000	100,500	14,801	(85,699)
<i>Total Revenues</i>	<u>4,562,694</u>	<u>4,808,111</u>	<u>5,603,925</u>	<u>795,814</u>
Expenditures				
Current:				
General Government	2,222,072	2,212,662	2,017,495	195,167
Security of Persons and Property:				
Police	2,948,070	2,951,781	2,897,919	53,862
Public Health and Welfare	88,100	88,100	87,067	1,033
Community Environment	530,154	531,104	413,226	117,878
Leisure Time Activities	1,189,151	1,193,901	1,041,770	152,131
Intergovernmental	0	100,000	100,000	0
Debt Service:				
Principal Retirement	1,800,000	1,800,000	1,800,000	0
Interest and Fiscal Charges	54,000	54,000	53,850	150
<i>Total Expenditures</i>	<u>8,831,547</u>	<u>8,931,548</u>	<u>8,411,327</u>	<u>520,221</u>
<i>Excess of Revenues</i> <i>(Under) Expenditures</i>	<u>(4,268,853)</u>	<u>(4,123,437)</u>	<u>(2,807,402)</u>	<u>1,316,035</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	17,090	17,090
Notes Issued	1,500,000	1,800,000	1,800,000	0
Transfers Out	(1,930,000)	(1,515,000)	(1,515,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(430,000)</u>	<u>285,000</u>	<u>302,090</u>	<u>17,090</u>
<i>Net Change in Fund Balance</i>	<u>(4,698,853)</u>	<u>(3,838,437)</u>	<u>(2,505,312)</u>	<u>1,333,125</u>
<i>Fund Balance Beginning of Year</i>	7,539,517	7,539,517	7,539,517	0
Prior Year Encumbrances Appropriated	72,364	72,364	72,364	0
<i>Fund Balance End of Year</i>	<u>\$2,913,028</u>	<u>\$3,773,444</u>	<u>\$5,106,569</u>	<u>\$1,333,125</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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$550,000	\$550,000	\$515,139	(\$34,861)
Other	0	0	2,302	2,302
<i>Total Revenues</i>	550,000	550,000	517,441	(32,559)
Expenditures				
Current:				
Transportation	1,218,670	1,258,670	1,232,581	26,089
<i>Excess of Revenues Under Expenditures</i>	(668,670)	(708,670)	(715,140)	(6,470)
Other Financing Sources				
Sale of Capital Assets	0	0	21,923	21,923
Transfers In	550,000	590,000	590,000	0
<i>Total Other Financing Sources</i>	550,000	590,000	611,923	21,923
<i>Net Change in Fund Balance</i>	(118,670)	(118,670)	(103,217)	15,453
<i>Fund Balance Beginning of Year</i>	104,795	104,795	104,795	0
Prior Year Encumbrances Appropriated	23,470	23,470	23,470	0
<i>Fund Balance End of Year</i>	\$9,595	\$9,595	\$25,048	\$15,453

See accompanying notes to the basic financial statements

City of North Canton, Ohio

Statement of Fund Net Assets

Proprietary Funds

December 31, 2005

	Business-Type Activities - Enterprise		
	Water	Sewer	Garbage
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$999,374	\$1,559,049	\$270,776
Accounts Receivable	707,219	176,956	1,478
Intergovernmental Receivable	109,991	0	0
Materials and Supplies Inventory	62,270	0	0
Special Assessment Receivable	543	98,766	0
Prepaid Items	11,468	2,537	0
<i>Total Current Assets</i>	<u>1,890,865</u>	<u>1,837,308</u>	<u>272,254</u>
<i>Noncurrent Assets:</i>			
Deferred Charges	146,774	0	0
Nondepreciable Capital Assets	5,497,821	681,588	0
Depreciable Capital Assets, Net	25,187,249	5,208,285	0
<i>Total Noncurrent Assets</i>	<u>30,831,844</u>	<u>5,889,873</u>	<u>0</u>
<i>Total Assets</i>	<u>32,722,709</u>	<u>7,727,181</u>	<u>272,254</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	20,504	27,711	1,330
Contracts Payable	204,105	244,893	41,789
Accrued Wages and Benefits	20,257	2,638	0
Compensated Absences Payable	99,185	23,310	0
Matured Compensated Absences Payable	20,734	0	0
Intergovernmental Payable	28,529	87,509	0
Accrued Interest Payable	104,929	8,829	0
Notes Payable	300,000	548,000	0
OWDA Loan Payable	431,246	0	0
Claims Payable	0	0	0
<i>Total Current Liabilities</i>	<u>1,229,489</u>	<u>942,890</u>	<u>43,119</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences	216,845	39,146	0
Notes Payable	2,700,000	0	0
OWDA Loan Payable	10,202,229	0	0
<i>Total Long-Term Liabilities</i>	<u>13,119,074</u>	<u>39,146</u>	<u>0</u>
<i>Total Liabilities</i>	<u>14,348,563</u>	<u>982,036</u>	<u>43,119</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	17,198,369	5,341,873	0
Unrestricted	1,175,777	1,403,272	229,135
<i>Total Net Assets</i>	<u>\$18,374,146</u>	<u>\$6,745,145</u>	<u>\$229,135</u>

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

Net assets of business-type activities

See accompanying notes to the basic financial statements

Funds	Governmental Activities - Internal Service Fund
Total	
\$2,829,199	\$278,402
885,653	0
109,991	0
62,270	0
99,309	0
14,005	0
4,000,427	278,402
146,774	0
6,179,409	0
30,395,534	0
36,721,717	0
40,722,144	278,402
49,545	0
490,787	0
22,895	0
122,495	0
20,734	0
116,038	0
113,758	0
848,000	0
431,246	0
0	40,076
2,215,498	40,076
255,991	0
2,700,000	0
10,202,229	0
13,158,220	0
15,373,718	40,076
22,540,242	0
2,808,184	238,326
25,348,426	\$238,326
54,099	
\$25,402,525	

City of North Canton, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005*

	Business-Type Activities - Enterprise		
	Water	Sewer	Garbage
Operating Revenues			
Charges for Services	\$4,678,087	\$1,967,235	\$558,940
Tap in Fees	82,192	48,700	0
Special Assessments	0	44,595	0
Other	28,526	1,351	0
<i>Total Operating Revenues</i>	<u>4,788,805</u>	<u>2,061,881</u>	<u>558,940</u>
Operating Expenses			
Personal Services	1,478,832	386,381	49,418
Contractual Services	468,133	1,270,667	520,203
Materials and Supplies	501,229	20,194	15,373
Depreciation	980,418	280,644	0
Claims	0	0	0
<i>Total Operating Expenses</i>	<u>3,428,612</u>	<u>1,957,886</u>	<u>584,994</u>
<i>Operating Income (Loss)</i>	<u>1,360,193</u>	<u>103,995</u>	<u>(26,054)</u>
Non-Operating Revenues (Expenses)			
Noncapital Grant	0	0	60,000
Interest and Fiscal Charges	(664,221)	(8,829)	0
Gain on Disposal of Capital Assets	9,906	1,380	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(654,315)</u>	<u>(7,449)</u>	<u>60,000</u>
<i>Income Before Contributions</i>	705,878	96,546	33,946
Capital Contributions	1,015,828	623,350	0
<i>Change in Net Assets</i>	1,721,706	719,896	33,946
<i>Net Assets Beginning of Year</i>	<u>16,652,440</u>	<u>6,025,249</u>	<u>195,189</u>
<i>Net Assets End of Year</i>	<u><u>\$18,374,146</u></u>	<u><u>\$6,745,145</u></u>	<u><u>\$229,135</u></u>

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

Change in net assets of business-type activities

See accompanying notes to the basic financial statements

Funds	
Total	Governmental Activities - Internal Service Fund
\$7,204,262	\$1,197,244
130,892	0
44,595	0
29,877	0
<u>7,409,626</u>	<u>1,197,244</u>
1,914,631	0
2,259,003	152,352
536,796	0
1,261,062	0
0	883,514
<u>5,971,492</u>	<u>1,035,866</u>
<u>1,438,134</u>	<u>161,378</u>
60,000	0
(673,050)	0
11,286	0
<u>(601,764)</u>	<u>0</u>
836,370	161,378
<u>1,639,178</u>	<u>0</u>
2,475,548	161,378
	<u>76,948</u>
	<u>\$238,326</u>
<u>36,631</u>	
<u>\$2,512,179</u>	

City of North Canton, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Business-	
	Water	Sewer
Increase (Decreases) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$4,664,232	\$2,054,608
Cash Received from Interfund Services	0	0
Cash Received from Other Operating Sources	25,118	1,351
Cash Payments to Suppliers for Goods and Services	(858,498)	(1,040,703)
Cash Payments to Employees for Services and Benefits	(1,442,344)	(381,452)
Cash Payments for Claims	0	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>2,388,508</u>	<u>633,804</u>
Cash Flows from Noncapital Financing Activities		
Noncapital Grants Received	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Notes	3,000,000	548,000
Contributions and Donations	0	265,000
Capital Grants Received	516,578	0
Proceeds from Sale of Capital Assets	11,305	1,380
Payments for Capital Acquisitions	(2,632,130)	(740,497)
Payments for Debt Issuance Costs	(22,865)	0
Principal Payments - Notes	(2,850,000)	
Principal Payments - OWDA Loan	(593,604)	0
Interest Payments - Notes	(54,450)	0
Interest Payments - OWDA Loan	(268,598)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(2,893,764)</u>	<u>73,883</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(505,256)	707,687
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,504,630</u>	<u>851,362</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$999,374</u></u>	<u><u>\$1,559,049</u></u>

<u>Type Activities - Enterprise Funds</u>		<u>Governmental Activities - Internal Service Fund</u>
<u>Garbage</u>	<u>Totals</u>	
\$559,802	\$7,278,642	\$0
0	0	1,197,244
0	26,469	0
(535,802)	(2,435,003)	(152,352)
(49,390)	(1,873,186)	0
0	0	(953,326)
<u>(25,390)</u>	<u>2,996,922</u>	<u>91,566</u>
<u>60,000</u>	<u>60,000</u>	<u>0</u>
0	3,548,000	0
0	265,000	0
0	516,578	0
0	12,685	0
0	(3,372,627)	0
0	(22,865)	0
0	(2,850,000)	0
0	(593,604)	0
0	(54,450)	0
0	(268,598)	0
<u>0</u>	<u>(2,819,881)</u>	<u>0</u>
34,610	237,041	91,566
<u>236,166</u>	<u>2,592,158</u>	<u>186,836</u>
<u>\$270,776</u>	<u>\$2,829,199</u>	<u>\$278,402</u>

(continued)

City of North Canton, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2005

	Business-	
	Water	Sewer
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
<i>Operating Income (Loss)</i>	\$1,360,193	\$103,995
<i>Adjustments:</i>		
Depreciation	980,418	280,644
(Increase)Decrease in Assets:		
Accounts Receivable	(100,691)	(8,287)
Special Assessment Receivable	1,236	2,365
Prepays	(726)	(213)
Materials and Supplies Inventory	(32,844)	0
Increase (Decrease) in Liabilities:		
Accounts Payable	10,323	27,711
Contracts Payable	134,159	227,404
Accrued Wages and Benefits	5,402	563
Matured Compensated Absences Payable	20,734	0
Compensated Absences Payable	8,446	4,275
Intergovernmental Payable	1,858	(4,653)
Claims Payable	0	0
<i>Total Adjustments</i>	1,028,315	529,809
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$2,388,508</u>	<u>\$633,804</u>

Noncash Activities

The Water Fund received OWDA loan proceeds paid directly to contractors in the amount of \$2,022,144.

The Water Fund and Sewer Fund received capital contributions in the amounts of \$407,069 and \$358,350 respectively.

See accompanying notes to the basic financial statements

<u>Type Activities - Enterprise Funds</u>		Governmental
<u>Garbage</u>	<u>Totals</u>	Activities - Internal Service Fund
<u>(\$26,054)</u>	<u>\$1,438,134</u>	<u>\$161,378</u>
0	1,261,062	0
	(108,978)	0
862	4,463	0
0	(939)	0
0	(32,844)	0
(922)	37,112	
1,033	362,596	0
0	5,965	0
0	20,734	0
0	12,721	0
(309)	(3,104)	0
<u>0</u>	<u>0</u>	<u>(69,812)</u>
<u>664</u>	<u>1,558,788</u>	<u>(69,812)</u>
<u>(\$25,390)</u>	<u>\$2,996,922</u>	<u>\$91,566</u>

City of North Canton
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2005

Assets

Cash and Cash Equivalents in Segregated Accounts	<u><u>\$87,757</u></u>
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Liabilities

Deposits Held and Due to Others	<u><u>\$87,757</u></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, 2005

Note 1 – Description of the City and Reporting Entity

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

Reporting Entity

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

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has one component unit.

Community Improvement Corporation (CIC) The City of North Canton Community Improvement Corporation was formed pursuant to Ordinance 103-80 passed October 28, 1980. The CIC was designated as the not-for-profit agency of the City for industrial, commercial, distribution and research development. The membership of the CIC was expanded in 2005 and now includes the Mayor, Director of Administration, Director of Finance, President of Council, Chairperson of Council’s Community and Economic Development Committee, one additional member appointed by Council and two members appointed by the Mayor. The CIC is also economically dependent of the City for financial support and therefore presented as a component unit of the County. Financial statements can be obtained from Julie A. Herr, Director of Finance, Community Improvement Corporation, 145 North Main Street, North Canton, Ohio 44720.

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 16 of the Basic Financial Statements.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit is presented in Note 21.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

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

B. Fund Accounting

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of North Canton and/or the general laws of Ohio.

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

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

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

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

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

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

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

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

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's only internal service fund accounts for a self-insurance program for employee medical/surgical benefits.

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 agency fund is used to keep track of required deposits.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

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

During fiscal year 2005, investments were limited to Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, manuscript notes and STAROhio.

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, 2005.

"Investments" on the basic financial statements represents a manuscript note issued by the City and purchased by the general fund.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2005 amounted to \$304,147, which includes \$201,240 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, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

G. Inventory

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

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

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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

I. Interfund Balances

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

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. Fund Balance Reserve and Designation

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. Designations represent tentative plans for future use of financial resources. The general fund has funds designated for future payments to the Community Improvement Corporation.

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

laws or regulations of other governments. The government-wide statement of net assets reports \$3,024,879 of restricted net assets, of which \$220,099 is restricted by enabling legislation. Net assets restricted for other purposes includes monies for law enforcement and education and mayor's court.

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

N. Operating Revenues and Expenses

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

O. Interfund Activity

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

P. Extraordinary and Special Items

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

Q. Estimates

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

R. Budgetary Process

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 – Changes in Accounting Principles

For 2005, the City had implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures” and GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.”

GASB Statement No. 40 establishes new disclosure requirement for risks associated with deposits and investments.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 42 did not affect the presentation of the financial statements of the City.

Note 4 – Accountability and Compliance

A. Accountability

The mayor’s court nonmajor special revenue fund had a deficit fund balance of \$1,993. This resulted from the recognition of accrued liabilities. The general fund is responsible to cover deficit fund balances by means of a transfer. However, this is done when cash is needed rather than when accruals occur.

B. Legal Compliance

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Fund	Original Revenues Plus Carryover	Original Appropriations	Excess
Major Funds			
<i>Capital Projects Fund</i>			
Capital Improvements	\$3,811,685	\$3,926,228	\$114,543
<i>Enterprise Funds</i>			
Water Fund	8,579,630	12,959,163	4,379,533
Sewer Fund	2,871,362	3,223,059	351,697
Non Major Funds			
<i>Special Revenue Funds</i>			
EMS Levy	1,185,243	1,211,687	26,444
Municipal Road	5,000	285,000	280,000
General Trust	34,290	35,089	799
<i>Capital Projects Fund</i>			
Issue II	0	1,991,360	1,991,360

Note 5 - Budgetary Basis of Accounting

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

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

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Net Change in Fund Balance
 General and Major Special Revenue Funds

	General	Street Construction, Maintenance and Repair
GAAP Basis	(\$3,037,662)	(\$97,515)
Adjustment for Revenue Accruals	(716,759)	3,612
Beginning Fair Value Adjustment for Investments	(116,587)	0
Ending Fair Value Adjustment for Investments	(119,850)	0
Adjustment for Expenditure Accruals	1,505,883	42,047
Adjustment for Encumbrances	(20,337)	(51,361)
Budget Basis	(\$2,505,312)	(\$103,217)

Note 6 - Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active 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 the Board 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.

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;

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,563,773 of the City's bank balance of \$1,763,773 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Investments

As of December 31, 2005, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-2	3 or more
Federal National Mortgage Association Notes	\$5,520,773	\$2,500,000	\$2,000,000	\$1,020,773
Federal Home Loan Bank Notes	500,000	500,000	0	0
Federal Home Loan Mortgage Corporation Notes Repurchase Agreement	1,688,409	1,688,409	0	0
Federal Home Loan Mortgage Corporation Notes	409,715	409,715	0	0
First American Treasury Obligation	43,195	43,195	0	0
Manuscript Note	1,800,000	1,800,000	0	0
STAROhio	37,281	37,281	0	0
Total Investments	\$9,999,373	\$6,978,600	\$2,000,000	\$1,020,773

All investments are in an internal investment pool.

Interest Rate Risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity. The City had no investment policy that would further limit investment choices.

Credit Risk. The Federal National Mortgage Association Notes carry a rating of AAA by Fitch. The Federal Home Loan Bank Notes carry a rating of AAA by Standard and Poor's. The Federal Home Loan Mortgage Corporation Notes, which is also the security underlying the repurchase agreement, carry a AAA rating by Standard and Poor's. The First American Treasury Obligation carries a rating of AAA by Standard and Poor's. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent in the pledging institution's name, but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2005:

Investment Issuer	Percentage of Investments
Federal National Mortgage Association Notes	55.21 %
Federal Home Loan Bank Notes	5.00
Federal Home Loan Mortgage Corporation Notes	16.89
Manuscript Note	18.00

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 7 - Receivables

Receivables at December 31, 2005, 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 and are expected to be collected within one year.

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 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes which became a lien December 31, 2004, are levied after October 1, 2005, and collected in 2006 real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004 on the value as of December 31, 2004. Collections are made in 2005. 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, 2005, was \$5.90 per 1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	\$351,192,260
Tangible Personal Property	25,771,993
Public Utility	<u>10,739,360</u>
Total Valuation	<u><u>\$387,703,613</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of North Canton. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005 and for which there is an enforceable legal claim. In the general, fire operating levy, EMS levy, storm sewer and street levy

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

funds the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2005 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.

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

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities	
Estate Tax	\$402,941
Local Government State Support	356,019
Homestead and Rollback	107,171
Grants	400
Fire Operating Levy	11,858
Emergency Medical Service Levy	21,358
Law Enforcement	222
Street Construction Maintenance and Repair	263,839
Storm Sewer Levy	40,423
Street Improvement Levy	40,423
Capital Improvement	135,891
Issue II	14,534
Total	\$1,395,079
Business-Type Activities	
Water	\$109,991

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 8 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005, the City contracted with Clarendon National Insurance for general liability, automobile, crime, equipment, fire, errors and omissions and police and professional liability insurance. Clarendon National Insurance also covers buildings and contents and boiler and machinery, while Hartford Life and Accident covers emergency medical service and fire, accidental disability and death insurance. The City also purchases umbrella coverage from Clarendon National Insurance with a general aggregate of \$5,000,000. Ohio Farmers provides performance bonds for all officials and employees.

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

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

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

The City purchases stop-loss coverage for claims in excess of \$40,000 per employee per year and an aggregate of \$1,000,000. The City pays into the self-insurance internal service fund \$881 for family coverage or \$338 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 \$40,076, reported in the Internal Service fund at December 31, 2005 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 2004 and 2005 are:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2004	\$96,664	\$916,102	\$902,878	\$109,888
2005	109,888	883,514	953,326	40,076

Note 9 - Operating Lease

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

with a golf course operator, effective January 1, 2004. A triple-net lease means the lessee is responsible for operations, insurance and taxes. The lease agreement is for an initial term of five years with an option to extend it an additional five years. The lessee is responsible for the complete operations of the golf course and clubhouse. The lessee is also required to make \$50,000 in capital improvements in each of the first four years of the lease. The assets involved in the lease are as follows:

	Governmental Activities
Asset:	
Land	\$1,780,214
Buildings	1,648,340
Land Improvements	592,759
Equipment	176,749
Subtotal	4,198,062
Less: Accumulated Depreciation	(231,086)
Total	\$3,966,976

The future minimum lease payments under this non-cancelable lease as of December 31, 2005 are the following:

	Minimum Commitment
2006	\$109,500
2007	109,500
2008	159,500
Total	\$378,500

Note 10 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2005:

Project	Contract Amount	Amount Paid	Remaining on Contract
Road Improvements	\$3,601,209	\$472,047	\$3,129,162
Storm Sewer Improvements	544,686	372,010	172,676
Water Treatment Plant Improvements	5,428,179	4,247,296	1,180,883
Water System Expansion	605,631	461,764	143,867
Sanitary Sewer Improvements	1,222,414	89,744	1,132,670
Park and Recreation Improvements	69,500	15,236	54,264
City Hall Improvements	69,300	46,644	22,656
	\$11,540,919	\$5,704,741	\$5,836,178

Note 11 - 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, 2005

Note 12 – Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance 12/31/2004	Additions	Deductions	Balance 12/31/2005
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$5,078,867	\$49,006	\$0	\$5,127,873
Construction in Progress	219,855	1,207,140	0	1,426,995
<i>Total Capital Assets, not being depreciated</i>	<u>5,298,722</u>	<u>1,256,146</u>	<u>0</u>	<u>6,554,868</u>
<i>Capital Assets, being depreciated</i>				
Buildings	6,311,548	83,706	0	6,395,254
Land Improvements	751,788	14,775	0	766,563
Equipment	5,797,714	521,572	(581,801)	5,737,485
Infrastructure				
Streets Subsystem	16,383,770	1,083,376	0	17,467,146
Storm Sewers Subsystem	7,004,686	267,403	(14,802)	7,257,287
Bridge Subsystem	203,000	0	0	203,000
<i>Total Capital Assets, being depreciated</i>	<u>36,452,506</u>	<u>1,970,832</u>	<u>(596,603)</u>	<u>37,826,735</u>
Less Accumulated Depreciation:				
Buildings	(3,280,385)	(189,756)	0	(3,470,141)
Land Improvements	(116,530)	(42,291)	30	(158,791)
Equipment	(3,703,242)	(443,892)	563,761	(3,583,373)
Infrastructure				
Streets Subsystem	(7,277,345)	(827,129)	0	(8,104,474)
Storm Sewers Subsystem	(2,674,997)	(163,836)	7,880	(2,830,953)
Bridge Subsystem	(112,793)	(5,742)	0	(118,535)
<i>Total Accumulated Depreciation</i>	<u>(17,165,292)</u>	<u>(1,672,646) *</u>	<u>571,671</u>	<u>(18,266,267)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>19,287,214</u>	<u>298,186</u>	<u>(24,932)</u>	<u>19,560,468</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$24,585,936</u>	<u>\$1,554,332</u>	<u>(\$24,932)</u>	<u>\$26,115,336</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$178,893
Security of Persons and Property	
Police	117,340
Fire	79,809
Public Health and Welfare	58,372
Transportation	933,871
Community Environment	489
Leisure Time Activities	140,036
Basic Utility Services	163,836
Total Depreciation Expense	<u>\$1,672,646</u>

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

	Restated Balance 12/31/2004	Additions	Deductions	Balance 12/31/2005
Business-Type Activities				
Capital Assets, not being depreciated				
Land	\$594,842	\$221,182	\$0	\$816,024
Construction in Progress	10,363,784	2,664,932	(7,665,331)	5,363,385
<i>Total Capital Assets, not being depreciated</i>	<u>10,958,626</u>	<u>2,886,114</u>	<u>(7,665,331)</u>	<u>6,179,409</u>
<i>Capital Assets, being depreciated</i>				
Buildings	7,221,564	4,650,292	(86,812)	11,785,044
Land Improvements	158,379	243,729	0	402,108
Equipment	1,846,448	2,124,595	(63,060)	3,907,983
Infrastructure				
Water Lines	17,690,571	3,300,120	(49,667)	20,941,024
Sewer Lines	9,976,239	378,273	(848)	10,353,664
<i>Total Capital Assets, being depreciated</i>	<u>36,893,201</u>	<u>10,697,009</u>	<u>(200,387)</u>	<u>47,389,823</u>
Less Accumulated Depreciation:				
Buildings	(3,899,200)	(240,467)	86,525	(4,053,142)
Land Improvements	(28,605)	(9,428)	0	(38,033)
Equipment	(866,097)	(268,350)	61,948	(1,072,499)
Infrastructure				
Water Lines	(5,967,739)	(519,564)	49,667	(6,437,636)
Sewer Lines	(5,170,574)	(223,253)	848	(5,392,979)
<i>Total Accumulated Depreciation</i>	<u>(15,932,215)</u>	<u>(1,261,062)</u>	<u>198,988</u>	<u>(16,994,289)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>20,960,986</u>	<u>9,435,947</u>	<u>(1,399)</u>	<u>30,395,534</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$31,919,612</u>	<u>\$12,322,061</u>	<u>(\$7,666,730)</u>	<u>\$36,574,943</u>

Note 13 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town St., Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or (800)222-7377.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

For the year ended December 31, 2005, 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 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$497,415, \$479,611 and \$392,791, respectively; 90.59 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$5,014 made by the City and \$3,146 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, 2005, 2004, and 2003 were \$171,981, \$174,213 and \$152,828 respectively, equal to the required contributions for each year. The full amount has been contributed for 2004 and 2003. 66.79 percent has been contributed for 2005 with the remainder being reported as a liability.

Note 14 - 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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$208,341. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCCP) with an effective date of January 1, 2007. The HCCP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$113,435 for police. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

Note 15 – Other Postemployment Benefits

A. Compensated Absences

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

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

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

B. Insurance

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

The City of North Canton provides a \$3,000 life insurance benefit for retired employees. Substantially all of the City's full time employees may become eligible for this benefit if they reach normal retirement age, or become eligible for total disability benefits while working for the City. The cost of retirees' life insurance is recognized as an expenditure/expense when the insurance premiums are paid. For 2005, the cost totaled \$456.

Note 16 - 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 2005. Complete financial statements can be obtained from the Stark Council of Governments, P.O. Box 21451 Canton, Ohio 44701-1451.

B. Stark County Combined General Health District

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

County townships, villages, the City of Louisville, and the City of North Canton. Of the 7 board members, the City has one appointed member. The board is made up of various professionals who are equally representative of the general health district. The board exercises total authority over the operation of the Health District including budgeting, appropriation, contracting, and designating management. The City does not have an equity interest in the Health District. The Health District is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City contributed \$84,626 to the Health District in 2005. Complete financial statements can be obtained from the Stark County Combined General Health District, 3951 Convenience Circle NW, Canton, Ohio 44718.

Note 17 – Interfund Balances

A. Interfund Transactions

	Interfund Payable
Interfund Receivable	Mayor's Court
Major Fund	
General Fund	\$1,306
Nonmajor Fund	
Computer Fund	154
Grand Total	\$1,460

The Mayor's Court special revenue fund owed monies at year end to several City funds.

B. Interfund Transfers

The general fund transfers monies to other funds for general operations.

	Transfer From
Transfer To	General Fund
Major Fund	
Street Construction, Maintenance and Repair Fund	\$590,000
Nonmajor Funds	
Fire Operating Levy Fund	375,000
Emergency Medical Services Levy Fund	550,000
Total Nonmajor Funds	925,000
Grand Total	\$1,515,000

Note 18 – Capital Lease

During 2005, the City entered into a capital lease for an ambulance. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Lease." Capital leases were capitalized at the present value of the minimum lease payments at the time the lease was entered into.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

The asset acquired through the capital lease is as follows:

	Governmental Activities
Asset:	
Equipment	\$143,787
Less: Accumulated depreciation	0
Total	\$143,787

The lease provides for minimum, annual lease payments as follows:

	Governmental Activities
2006	\$49,437
2007	51,649
2008	51,649
Total Minimum Lease Payment	152,735
Less: Amount Representing Interest	(8,948)
Present Value of Minimum Lease Payment	\$143,787

Note 19 - Notes Payable

Changes in the City's note activity for the year ended December 31, 2005, were as follows:

	Balance 12/31/2004	Issued	Retired	Balance 12/31/2005
Governmental Activities				
Various Improvement Note	\$0	\$1,500,000	\$0	\$1,500,000
Business-Type Activities				
Water System Improvement Note	\$1,600,000	\$0	(\$1,600,000)	\$0
Water System Improvement Note	1,250,000	0	(1,250,000)	0
Water System Improvement Note	0	300,000	0	300,000
Sewer System Improvement Note	0	548,000	0	548,000
Total Business-Type Activities	\$2,850,000	\$848,000	(\$2,850,000)	\$848,000

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

In August, 2005, the City issued \$1.5 million in Various Purpose Notes for street improvements. These notes were issued at a rate of 4.00 percent and will mature in August, 2006.

The water system improvement note liabilities are reflected in the water revenue fund which received the proceeds. The note was issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. This note was issued at a rate of 3.25 percent and will mature in February, 2006. All of the proceeds have been spent as of December 31, 2005.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

In August, 2005, the City issued \$548,000 in Various Purpose Notes for the purpose acquisition of property for the Marquardt Sanitary Sewer Line. These notes were issued at a rate of 4.00 percent and will mature in August, 2006.

Note 20 - Long-Term Obligations

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

	Balance 12/31/2004	Issued	Retired	Balance 12/31/2005	Amounts Due In One Year
Business-Type Activities					
OWDA Loans					
2000 \$1,300,000 6.41%					
Water Storage System	\$673,526	\$0	(\$95,326)	\$578,200	\$101,534
2003 \$6,786,024 3.65%					
Water Treatment Plant Improvement	6,786,024	179,693	(435,085)	6,530,632	244,288
2004 \$3,200,000 3.76%					
Water Treatment Plant Improvement	1,745,385	1,239,385	(63,193)	2,921,577	85,424
2005 \$1,699,579 3.25%					
Water Treatment Backwash Tank	0	603,066	0	603,066	0
Other Long-Term Liabilities					
Notes Payable - Water System 3.25%	0	2,700,000	0	2,700,000	2,700,000
Compensated Absences	365,765	33,455	(20,734)	378,486	122,495
Total Business-Type Activities	<u>\$9,570,700</u>	<u>\$4,755,599</u>	<u>(\$614,338)</u>	<u>\$13,711,961</u>	<u>\$3,253,741</u>
Governmental Activities					
Long-Term Liabilities					
Compensated Absences	\$1,255,367	\$150,349	(\$29,228)	\$1,376,488	\$363,083
Real Estate Acquisition Note 3.25%	1,800,000	1,800,000	(1,800,000)	1,800,000	1,800,000
Capital Lease	0	146,000	(2,213)	143,787	44,661
Settlement Agreement Payable (1999-2001)	2,058,315	0	(1,500,000)	558,315	558,315
Total Governmental Activities	<u>\$5,113,682</u>	<u>\$2,096,349</u>	<u>(\$3,331,441)</u>	<u>\$3,878,590</u>	<u>\$2,766,059</u>

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

In January 2003, the City was approved for a construction loan through the Water Supply Revolving Loan Fund, which is administered by the Ohio Environmental Protection Agency, for the purpose of funding the improvements and upgrades to the City's Water Treatment Plant. The loan, which is administered by the Ohio Water Development Authority, is at a rate of 3.65 percent and is to be repaid over 20 years. The total amount of the loan, including capitalized interest, is estimated to be \$7.2 million. In January, 2004, the City received a construction loan through the Water Supply Revolving Loan Fund for the purpose of funding the expansion to the City's Water Treatment Plant. The loan is at a rate of 3.76 percent and is to be repaid over 20 years. It is estimated the loan will be for \$3.2 million, repayments began in 2005. In July, 2005, the City received a construction loan through the Water Supply Revolving Loan Fund for the purpose of funding the expansion to the City's Water Treatment Plant. The loan is at a rate of 3.25

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

percent and is to be repaid over 20 years. It is estimated the loan will be for \$1.7 million with repayment to begin in 2006. These loans will not have an accurate repayment schedule until the loans are finalized and, therefore are not included in the schedule of future debt service requirements.

The water system improvement note liabilities are reflected in the water fund which received the proceeds. The note was issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. This note was issued at a rate of 3.25 percent and will mature in February, 2006. All of the proceeds have been spent as of December 31, 2005.

In June, 2005, the City issued \$1.8 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 3.25 percent and will mature in June, 2006.

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, due in 2004, will be refunded to Maytag within 90 days of the filing. The balance of this credit after the 2003 tax filing was \$2,058,315. In December 2004, City council approved an amended settlement agreement with Maytag officials to extend the final repayment of the \$2,058,315 credit. A total of \$1,500,000 was paid in 2005, the final payment of \$558,315 will be paid in January, 2006. The settlement agreement payable will be paid out of the general fund.

The City's overall legal debt margin was \$37,408,879 at December 31, 2005. Principal and interest requirements to retire the outstanding debt at December 31, 2005, are as follows:

Year	OWDA Loans		Settlement
	Principal	Interest	Agreement Payable
2006	\$101,534	\$35,464	\$558,315
2007	108,146	28,851	0
2008	115,190	21,808	0
2009	122,691	14,306	0
2010	130,639	6,316	0
Total	\$578,200	\$106,745	\$558,315

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 payments received on the underlying mortgage loans; ownership of the acquired facilities transfers to the private-

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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, 2005, there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$15,140,000.

Note 21 – North Canton Community Improvement Corporation (CIC)

A. Description of Reporting Entity

The North Canton Community Improvement Corporation (CIC) was formed pursuant to Ordinance 103-80 passed October 28, 1980 and incorporated as a corporation not-for-profit under Title XVII, Chapters 1702 and 1724 of the Ohio Revised Code to advance, encourage, and promote industrial, economic, commercial and civic development of the City of North Canton. The CIC has been designated as the City of North Canton's agent for industrial and commercial distributions and research development.

B. Summary of Significant Accounting Policies

Basis of Accounting The Financial Statements of the CIC are prepared using the accrual basis of accounting.

Federal Income Tax The CIC is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

Estimates The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reported period. Actual results could differ from these estimates.

Note 22 - Subsequent Events

In February, 2006, the City issued \$4,300,000 in one-year Water System Improvement Notes, at a rate of 4.5 percent. Of this amount, \$2,700,000 was issued to replace a note issue that matured in February and \$1,600,000 was used for the purpose of funding waterline improvement projects. It is the City's intent to roll these notes into a bond issue upon their maturity in 2007.

On June 28, 2006, the City issued \$1,500,000 in one-year taxable Real Estate Acquisition Notes at a rate of 5.95 percent to replace the one-year notes that matured on June 28, 2006.

**Combining Statements
and Individual Fund Schedules**

Combining Statements – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

Nonmajor Capital Project Fund

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

Issue II Fund – This fund accounts for grant monies received from the Ohio Public Works Commission plus city matching funds. Expenditures are restricted to specific projects within the City.

City of North Canton, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$298,216	\$187,608	\$485,824
Cash and Cash Equivalents in Segregated Accounts	33,028	0	33,028
Materials and Supplies Inventory	2,746	0	2,746
Accounts Receivable	119,838	0	119,838
Intergovernmental Receivable	114,284	14,534	128,818
Due from Other Funds	154	0	154
Prepaid Items	9,097	0	9,097
Property Taxes Receivable	955,218	0	955,218
<i>Total Assets</i>	<u>\$1,532,581</u>	<u>\$202,142</u>	<u>\$1,734,723</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$4,620	\$0	\$4,620
Contracts Payable	2,535	126,301	128,836
Accrued Wages	41,489	0	41,489
Matured Compensated Absences Payable	19,729	0	19,729
Intergovernmental Payable	52,592	0	52,592
Due to Other Funds	1,460	0	1,460
Deferred Revenue	1,069,280	0	1,069,280
<i>Total Liabilities</i>	<u>1,191,705</u>	<u>126,301</u>	<u>1,318,006</u>
Fund Balances			
Reserved for Encumbrances	50,008	2,684,410	2,734,418
Unreserved, Undesignated (Deficit), Reported in			
Special Revenue Funds	290,868	0	290,868
Capital Projects Fund	0	(2,608,569)	(2,608,569)
<i>Total Fund Balances</i>	<u>340,876</u>	<u>75,841</u>	<u>416,717</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,532,581</u>	<u>\$202,142</u>	<u>\$1,734,723</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, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues			
Property and Other Taxes	\$451,943	\$0	\$451,943
Municipal Income Taxes	0	217,000	217,000
Fines and Forfeitures	102,512	0	102,512
Intergovernmental	67,177	14,534	81,711
Ambulance Fees	314,046	0	314,046
Other	21,234	0	21,234
<i>Total Revenues</i>	<u>956,912</u>	<u>231,534</u>	<u>1,188,446</u>
Expenditures			
Current:			
General Government	100,712	0	100,712
Security of Persons and Property:			
Police	6,963		6,963
Fire	532,590	0	532,590
Public Health and Welfare	1,168,798	0	1,168,798
Transportation	107,084	0	107,084
Leisure Time Activities	627	0	627
Basic Utility Services	116,710	0	116,710
Capital Outlay	0	155,693	155,693
<i>Total Expenditures</i>	<u>2,033,484</u>	<u>155,693</u>	<u>2,189,177</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,076,572)</u>	<u>75,841</u>	<u>(1,000,731)</u>
Other Financing Sources			
Sale of Capital Assets	11,508	0	11,508
Transfers In	925,000	0	925,000
<i>Total Other Financing Sources</i>	<u>936,508</u>	<u>0</u>	<u>936,508</u>
<i>Net Change in Fund Balances</i>	(140,064)	75,841	(64,223)
<i>Fund Balances Beginning of Year</i>	<u>480,940</u>	<u>0</u>	<u>480,940</u>
<i>Fund Balances End of Year</i>	<u><u>\$340,876</u></u>	<u><u>\$75,841</u></u>	<u><u>\$416,717</u></u>

City of North Canton, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005

	Fire Operating Levy	Emergency Medical Services Levy	Computer	Enforcement and Education
Assets				
Equity in Pooled Cash and Cash Equivalents	\$107,193	\$72,272	\$30,984	\$6,296
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Materials and Supplies Inventory	0	2,746	0	0
Accounts Receivable	0	119,838	0	0
Intergovernmental Receivable	11,858	21,358	0	0
Due from Other Funds	0	0	154	0
Prepaid Items	5,240	3,128	0	0
Property Taxes Receivable	92,185	167,113	0	0
<i>Total Assets</i>	<u>\$216,476</u>	<u>\$386,455</u>	<u>\$31,138</u>	<u>\$6,296</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$1,086	\$1,934	\$1,600	\$0
Contracts Payable	0	0	0	0
Accrued Wages	24,690	16,799	0	0
Matured Compensated Absences Payable	0	19,729	0	0
Intergovernmental Payable	20,714	31,122	0	0
Due to Other Funds	0	0	0	0
Deferred Revenue	104,043	188,471	0	0
<i>Total Liabilities</i>	<u>150,533</u>	<u>258,055</u>	<u>1,600</u>	<u>0</u>
Fund Balances				
Reserved for Encumbrances	24	2,914	785	0
Unreserved, Undesignated (Deficit)	65,919	125,486	28,753	6,296
<i>Total Fund Balances (Deficit)</i>	<u>65,943</u>	<u>128,400</u>	<u>29,538</u>	<u>6,296</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$216,476</u>	<u>\$386,455</u>	<u>\$31,138</u>	<u>\$6,296</u>

Storm Sewer Levy	Street Levy	Municipal Road	Law Enforcement Trust	General Trust	Mayor's Court	Total Nonmajor Special Revenue Funds
\$56,068	\$20,403	\$5,000	\$0	\$0	\$0	\$298,216
0	0	0	1,326	31,479	223	33,028
0	0	0	0	0	0	2,746
0	0	0	0	0	0	119,838
40,423	40,423	0	222	0	0	114,284
0	0	0	0	0	0	154
729	0	0	0	0	0	9,097
347,960	347,960	0	0	0	0	955,218
<u>\$445,180</u>	<u>\$408,786</u>	<u>\$5,000</u>	<u>\$1,548</u>	<u>\$31,479</u>	<u>\$223</u>	<u>\$1,532,581</u>
\$0	\$0	\$0	\$0	\$0	\$0	\$4,620
0	2,535	0	0	0	0	2,535
0	0	0	0	0	0	41,489
0	0	0	0	0	0	19,729
0	0	0	0	0	756	52,592
0	0	0	0	0	1,460	1,460
388,383	388,383	0	0	0	0	1,069,280
<u>388,383</u>	<u>390,918</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,216</u>	<u>1,191,705</u>
34,865	11,420	0	0	0	0	50,008
21,932	6,448	5,000	1,548	31,479	(1,993)	290,868
<u>56,797</u>	<u>17,868</u>	<u>5,000</u>	<u>1,548</u>	<u>31,479</u>	<u>(1,993)</u>	<u>340,876</u>
<u>\$445,180</u>	<u>\$408,786</u>	<u>\$5,000</u>	<u>\$1,548</u>	<u>\$31,479</u>	<u>\$223</u>	<u>\$1,532,581</u>

City of North Canton, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Fire Operating Levy	Emergency Medical Services Levy	Computer	Enforcement and Education
Revenues				
Property and Other Taxes	\$91,925	\$167,248	\$0	\$0
Fines and Forfeitures	0	0	6,475	2,310
Intergovernmental	20,226	25,029	0	0
Ambulance Fees	0	314,046	0	0
Other	4,397	517	0	0
<i>Total Revenues</i>	<u>116,548</u>	<u>506,840</u>	<u>6,475</u>	<u>2,310</u>
Expenditures				
Current:				
General Government	0	0	4,785	0
Security of Persons and Property:				
Police	0	0	0	3,664
Fire	525,929	0	0	0
Public Health and Welfare	0	1,164,043	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>525,929</u>	<u>1,164,043</u>	<u>4,785</u>	<u>3,664</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(409,381)</u>	<u>(657,203)</u>	<u>1,690</u>	<u>(1,354)</u>
Other Financing Sources				
Sale of Capital Assets	10,955	553	0	0
Transfers In	375,000	550,000	0	0
<i>Total Other Financing Sources</i>	<u>385,955</u>	<u>550,553</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(23,426)</u>	<u>(106,650)</u>	<u>1,690</u>	<u>(1,354)</u>
<i>Fund Balances Beginning of Year</i>	<u>89,369</u>	<u>235,050</u>	<u>27,848</u>	<u>7,650</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$65,943</u>	<u>\$128,400</u>	<u>\$29,538</u>	<u>\$6,296</u>

Storm Sewer Levy	Street Levy	Municipal Road	Law Enforcement Trust	General Trust	Mayor's Court	Total Nonmajor Special Revenue Funds
\$96,385	\$96,385	\$0	\$0	\$0	\$0	\$451,943
0	0	0	1,548	0	92,179	102,512
10,961	10,961	0	0	0	0	67,177
0	0	0	0	0	0	314,046
0	0	0	0	16,320	0	21,234
<u>107,346</u>	<u>107,346</u>	<u>0</u>	<u>1,548</u>	<u>16,320</u>	<u>92,179</u>	<u>956,912</u>
0	0	0	0	1,500	94,427	100,712
0	0	0	1,647	1,652	0	6,963
0	0	0	0	6,661	0	532,590
0	0	0	0	4,755	0	1,168,798
0	107,084	0	0	0	0	107,084
0	0	0	0	627	0	627
116,710	0	0	0	0	0	116,710
<u>116,710</u>	<u>107,084</u>	<u>0</u>	<u>1,647</u>	<u>15,195</u>	<u>94,427</u>	<u>2,033,484</u>
<u>(9,364)</u>	<u>262</u>	<u>0</u>	<u>(99)</u>	<u>1,125</u>	<u>(2,248)</u>	<u>(1,076,572)</u>
0	0	0	0	0	0	11,508
0	0	0	0	0	0	925,000
0	0	0	0	0	0	936,508
<u>(9,364)</u>	<u>262</u>	<u>0</u>	<u>(99)</u>	<u>1,125</u>	<u>(2,248)</u>	<u>(140,064)</u>
<u>66,161</u>	<u>17,606</u>	<u>5,000</u>	<u>1,647</u>	<u>30,354</u>	<u>255</u>	<u>480,940</u>
<u>\$56,797</u>	<u>\$17,868</u>	<u>\$5,000</u>	<u>\$1,548</u>	<u>\$31,479</u>	<u>(\$1,993)</u>	<u>\$340,876</u>

Agency Fund

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

City of North Canton, Ohio
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended December 31, 2005

	<u>Beginning Balance 12/31/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance 12/31/05</u>
Deposits and Fees				
Assets				
Cash and Cash Equivalents In Segregated Accounts	<u>\$93,506</u>	<u>\$113,056</u>	<u>\$118,805</u>	<u>\$87,757</u>
Liabilities				
Deposits Held and Due to Others	<u>\$93,506</u>	<u>\$113,056</u>	<u>\$118,805</u>	<u>\$87,757</u>

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

City of North Canton
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Taxes	\$795,386	\$805,401	\$783,030	(\$22,371)
Municipal Income Taxes	1,990,000	1,985,800	2,666,050	680,250
Charges for Services	463,000	435,000	481,565	46,565
Fines and Forfeitures	67,000	67,000	60,286	(6,714)
Intergovernmental	751,308	1,164,410	1,176,299	11,889
Interest	400,000	250,000	319,590	69,590
Contributions and Donations	0	0	6,250	6,250
Rentals	0	0	96,054	96,054
Other	96,000	100,500	14,801	(85,699)
<i>Total Revenues</i>	<u>4,562,694</u>	<u>4,808,111</u>	<u>5,603,925</u>	<u>795,814</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive:				
Mayor:				
Personal Services	93,500	92,050	90,940	1,110
Contractual Services	16,775	16,925	6,257	10,668
Materials and Supplies	2,000	2,000	954	1,046
Capital Outlay	1,500	1,500	585	915
Total Mayor	<u>113,775</u>	<u>112,475</u>	<u>98,736</u>	<u>13,739</u>
Director of Administration:				
Personal Services	160,030	161,480	160,225	1,255
Contractual Services	21,434	22,434	16,256	6,178
Materials and Supplies	2,000	2,150	2,101	49
Capital Outlay	1,500	1,500	1,367	133
Total Director of Administration	<u>184,964</u>	<u>187,564</u>	<u>179,949</u>	<u>7,615</u>
Director of Finance:				
Personal Services	172,000	172,000	166,733	5,267
Contractual Services	40,942	37,942	25,766	12,176
Materials and Supplies	5,500	5,250	2,884	2,366
Capital Outlay	4,600	4,600	4,525	75
Total Director of Finance	<u>223,042</u>	<u>219,792</u>	<u>199,908</u>	<u>19,884</u>
Electronic Data Processing:				
Contractual Services	16,000	16,000	6,419	9,581
Materials and Supplies	400	650	369	281
Capital Outlay	13,100	13,100	11,130	1,970
Total Electronic Data Processing	<u>29,500</u>	<u>29,750</u>	<u>17,918</u>	<u>11,832</u>
Director of Law:				
Personal Services	71,250	71,250	69,908	1,342
Contractual Services	46,862	62,162	56,845	5,317
Materials and Supplies	6,800	7,500	6,514	986
Capital Outlay	1,000	1,000	0	1,000
Total Director of Law	<u>\$125,912</u>	<u>\$141,912</u>	<u>\$133,267</u>	<u>\$8,645</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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
City Council:				
Personal Services	\$207,360	\$204,860	\$194,759	\$10,101
Contractual Services	38,143	52,593	48,077	4,516
Materials and Supplies	2,200	2,250	2,212	38
Capital Outlay	2,500	2,500	2,141	359
Total City Council	250,203	262,203	247,189	15,014
Civil Service Commission:				
Personal Services	6,945	6,945	6,758	187
Contractual Services	10,700	10,700	3,419	7,281
Materials and Supplies	600	600	88	512
Total Civil Service Commission	18,245	18,245	10,265	7,980
City Hall Maintenance:				
Personal Services	14,450	18,470	17,356	1,114
Contractual Services	133,283	142,263	126,642	15,621
Materials and Supplies	8,400	8,520	6,196	2,324
Capital Outlay	1,000	1,000	0	1,000
Total City Hall Maintenance	157,133	170,253	150,194	20,059
Department of Engineering:				
Personal Services	403,700	419,200	415,595	3,605
Contractual Services	93,090	82,740	73,410	9,330
Materials and Supplies	13,658	13,658	9,983	3,675
Capital Outlay	32,500	67,500	56,459	11,041
Total Department of Engineering	542,948	583,098	555,447	27,651
Income Tax Administration:				
Personal Services	211,400	211,450	197,252	14,198
Contractual Services	71,740	71,690	34,861	36,829
Materials and Supplies	10,000	10,000	5,341	4,659
Capital Outlay	8,600	8,600	5,814	2,786
Total Income Tax Administration	301,740	301,740	243,268	58,472
Other General Government:				
Personal Services	70,000	32,500	32,298	202
Contractual Services	128,610	143,841	141,541	2,300
Capital Outlay	1,000	1,000	0	1,000
Other	75,000	8,289	7,515	774
Total Other General Government	274,610	185,630	181,354	4,276
Total General Government	2,222,072	2,212,662	2,017,495	195,167
Security of Persons and Property:				
Police:				
Personal Services	2,607,300	2,608,910	2,592,562	16,348
Contractual Services	219,075	213,825	192,979	20,846
Materials and Supplies	73,095	77,946	72,307	5,639
Capital Outlay	48,600	51,100	40,071	11,029
Total Security of Persons and Property	\$2,948,070	\$2,951,781	\$2,897,919	\$53,862

(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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public Health and Welfare:				
County Health Department:				
Contractual Services	\$88,100	\$88,100	\$87,067	\$1,033
Community Environment:				
Permits and Inspections:				
Personal Services	297,800	302,400	300,869	1,531
Contractual Services	36,313	31,373	25,244	6,129
Materials and Supplies	6,505	6,945	4,451	2,494
Capital Outlay	9,000	9,000	130	8,870
Total Permits and Inspections	349,618	349,718	330,694	19,024
Planning Commission:				
Contractual Services	650	500	245	255
Materials and Supplies	150	1,150	1,126	24
Total Planning Commission	800	1,650	1,371	279
Zoning and Building:				
Contractual Services	550	550	137	413
Materials and Supplies	150	150	0	150
Total Zoning and Building	700	700	137	563
Economic Development:				
Personal Services	74,200	74,200	32,376	41,824
Contractual Services	96,236	96,336	42,208	54,128
Materials and Supplies	4,600	4,500	4,251	249
Capital Outlay	4,000	4,000	2,189	1,811
Total Economic Development	179,036	179,036	81,024	98,012
Total Community Environment	530,154	531,104	413,226	117,878
Leisure Time Activities:				
Dogwood Shelter:				
Contractual Services	21,000	21,000	13,485	7,515
Capital Outlay	1,000	1,000	0	1,000
Total Dogwood Shelter	22,000	22,000	13,485	8,515
Swimming Pool:				
Personal Services	124,050	137,570	132,033	5,537
Contractual Services	46,500	44,980	39,892	5,088
Materials and Supplies	34,800	35,800	33,955	1,845
Capital Outlay	66,000	63,000	0	63,000
Total Swimming Pool	271,350	281,350	205,880	75,470
Park Department:				
Personal Services	392,600	393,000	384,860	8,140
Contractual Services	97,900	97,050	82,443	14,607
Materials and Supplies	24,883	23,483	19,603	3,880
Capital Outlay	35,400	37,250	33,417	3,833
Total Park Department	\$550,783	\$550,783	\$520,323	\$30,460

(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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Civic Center:				
Personal Services	\$115,750	\$127,900	\$127,343	\$557
Contractual Services	62,778	57,878	46,111	11,767
Materials and Supplies	5,500	5,500	5,170	330
Capital Outlay	4,300	4,300	3,039	1,261
Total Civic Center	188,328	195,578	181,663	13,915
Recreation Department:				
Personal Services	102,250	89,750	84,833	4,917
Contractual Services	14,540	13,640	7,250	6,390
Materials and Supplies	6,400	7,300	5,716	1,584
Capital Outlay	16,000	16,000	14,775	1,225
Total Recreation Department	139,190	126,690	112,574	14,116
Recreation Program:				
Personal Services	600	600	0	600
Contractual Services	9,900	9,900	4,828	5,072
Materials and Supplies	7,000	7,000	3,017	3,983
Total Recreation Program	17,500	17,500	7,845	9,655
Total Leisure Time Activities	1,189,151	1,193,901	1,041,770	152,131
Intergovernmental	0	100,000	100,000	0
Debt Service:				
Principal Retirement	1,800,000	1,800,000	1,800,000	0
Interest and Fiscal Charges	54,000	54,000	53,850	150
Total Debt Service	1,854,000	1,854,000	1,853,850	150
Total Expenditures	8,831,547	8,931,548	8,411,327	520,221
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(4,268,853)</u>	<u>(4,123,437)</u>	<u>(2,807,402)</u>	<u>1,316,035</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	17,090	17,090
Notes Issued	1,500,000	1,800,000	1,800,000	0
Transfers Out	(1,930,000)	(1,515,000)	(1,515,000)	0
Total Other Financing Sources (Uses)	<u>(430,000)</u>	<u>285,000</u>	<u>302,090</u>	<u>17,090</u>
Net Change in Fund Balance	(4,698,853)	(3,838,437)	(2,505,312)	1,333,125
Fund Balance Beginning of Year	7,539,517	7,539,517	7,539,517	0
Prior Year Encumbrances Appropriated	72,364	72,364	72,364	0
Fund Balance End of Year	<u><u>\$2,913,028</u></u>	<u><u>\$3,773,444</u></u>	<u><u>\$5,106,569</u></u>	<u><u>\$1,333,125</u></u>

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$550,000	\$550,000	\$515,139	(\$34,861)
Other	0	0	2,302	2,302
<i>Total Revenues</i>	<u>550,000</u>	<u>550,000</u>	<u>517,441</u>	<u>(32,559)</u>
Expenditures				
Current:				
Transportation:				
Personal Services	702,500	708,640	707,339	1,301
Contractual Services	174,770	131,130	119,306	11,824
Materials and Supplies	279,000	367,500	359,923	7,577
Capital Outlay	62,400	51,400	46,013	5,387
Other	0	0	0	0
<i>Total Expenditures</i>	<u>1,218,670</u>	<u>1,258,670</u>	<u>1,232,581</u>	<u>26,089</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(668,670)</u>	<u>(708,670)</u>	<u>(715,140)</u>	<u>(6,470)</u>
Other Financing Sources				
Sale of Capital Assets	0	0	21,923	21,923
Transfers In	550,000	590,000	590,000	0
<i>Total Other Financing Sources</i>	<u>550,000</u>	<u>590,000</u>	<u>611,923</u>	<u>21,923</u>
<i>Net Change in Fund Balance</i>	<u>(118,670)</u>	<u>(118,670)</u>	<u>(103,217)</u>	<u>15,453</u>
<i>Fund Balance Beginning of Year</i>	104,795	104,795	104,795	0
Prior Year Encumbrances Appropriated	23,470	23,470	23,470	0
<i>Fund Balance End of Year</i>	<u>\$9,595</u>	<u>\$9,595</u>	<u>\$25,048</u>	<u>\$15,453</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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Municipal Income Taxes	\$2,000,000	\$2,027,200	\$2,027,200	\$0
Intergovernmental	0	285,020	0	(285,020)
<i>Total Revenues</i>	<u>2,000,000</u>	<u>2,312,220</u>	<u>2,027,200</u>	<u>(285,020)</u>
Expenditures				
Capital Outlay:				
Contractual Services	338,710	323,710	308,069	15,641
Capital Outlay	3,587,518	3,622,505	2,878,422	744,083
Total Capital Outlay	3,926,228	3,946,215	3,186,491	759,724
Debt Service:				
Principal Retirement	0	2,213	2,213	0
<i>Total Expenditures</i>	<u>3,926,228</u>	<u>3,948,428</u>	<u>3,188,704</u>	<u>759,724</u>
<i>Excess of Revenues</i> <i>Under Expenditures</i>	(1,926,228)	(1,636,208)	(1,161,504)	474,704
Other Financing Sources				
Notes Issued	0	1,500,000	1,500,000	0
<i>Net Change in Fund Balance</i>	(1,926,228)	(136,208)	338,496	474,704
<i>Fund Balance Beginning of Year</i>	1,399,625	1,399,625	1,399,625	0
Prior Year Encumbrances Appropriated	412,060	412,060	412,060	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$114,543)</u>	<u>\$1,675,477</u>	<u>\$2,150,181</u>	<u>\$474,704</u>

City of North Canton
Schedule of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Water Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for Services	\$3,900,000	\$4,452,000	\$4,582,040	\$130,040
Tap-In Fees	30,000	70,000	82,192	12,192
Proceeds from OWDA Loan	545,000	4,263,682	2,281,463	(1,982,219)
Notes Issued	2,600,000	3,000,000	3,000,000	0
Sale of Capital Assets	0	0	11,302	11,302
Other	0	0	25,118	25,118
Capital Grants	0	137,810	516,578	378,768
<i>Total Revenues</i>	<u>7,075,000</u>	<u>11,923,492</u>	<u>10,498,693</u>	<u>(1,424,799)</u>
Expenses				
Personal Services	1,470,400	1,467,760	1,442,344	25,416
Contractual Services	647,952	866,692	784,029	82,663
Materials and Supplies	460,588	485,888	455,650	30,238
Capital Outlay	6,730,123	6,968,426	6,043,473	924,953
Debt Service:				
Principal Retirement	3,145,400	3,190,400	3,443,604	(253,204)
Interest and Fiscal Charges	402,700	357,700	323,048	34,652
Issuance Costs	52,000	22,865	22,865	0
<i>Total Expenses</i>	<u>12,909,163</u>	<u>13,359,731</u>	<u>12,515,013</u>	<u>844,718</u>
<i>Excess of Revenues</i> <i>Under Expenses</i>	(5,834,163)	(1,436,239)	(2,016,320)	(580,081)
Transfers Out	(50,000)	0	0	0
<i>Net Change in Fund Equity</i>	(5,884,163)	(1,436,239)	(2,016,320)	(568,779)
<i>Fund Equity (Deficit) Beginning of Year</i>	(950,971)	(950,971)	(950,971)	0
Prior Year Encumbrances Appropriated	2,455,601	2,455,601	2,455,601	0
<i>Fund Equity (Deficit) End of Year</i>	<u>(\$4,379,533)</u>	<u>\$68,391</u>	<u>(\$511,690)</u>	<u>(\$568,779)</u>

City of North Canton
Schedule of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Sewer Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for Services	\$1,920,000	\$1,920,000	\$1,958,593	\$38,593
Tap-In Fees	100,000	41,000	48,700	7,700
Special Assessments	0	10,000	47,315	37,315
Notes Issued	0	548,000	548,000	0
Contributions and Donations	0	0	265,000	265,000
Sale of Capital Assets	0	0	1,380	1,380
Other	0	555,000	1,351	(553,649)
<i>Total Revenues</i>	<u>2,020,000</u>	<u>3,074,000</u>	<u>2,870,339</u>	<u>(203,661)</u>
Expenses				
Personal Services	390,000	391,310	381,452	9,858
Contractual Services	1,605,373	1,211,170	1,143,960	67,210
Materials and Supplies	35,181	36,181	19,624	16,557
Capital Outlay	1,192,505	2,036,898	1,874,197	162,701
<i>Total Expenses</i>	<u>3,223,059</u>	<u>3,675,559</u>	<u>3,419,233</u>	<u>256,326</u>
<i>Net Change in Fund Equity</i>	(1,203,059)	(601,559)	(548,894)	52,665
<i>Fund Equity Beginning of Year</i>	553,553	553,553	553,553	0
Prior Year Encumbrances Appropriated	297,809	297,809	297,809	0
<i>Fund Equity (Deficit) End of Year</i>	<u>(\$351,697)</u>	<u>\$249,803</u>	<u>\$302,468</u>	<u>\$52,665</u>

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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for Services	\$525,000	\$550,000	\$559,802	\$9,802
Noncapital Grants	0	0	60,000	60,000
<i>Total Revenues</i>	<u>525,000</u>	<u>550,000</u>	<u>619,802</u>	<u>69,802</u>
Expenses				
Personal Services	54,250	54,250	49,390	4,860
Contractual Services	658,746	658,696	578,059	80,637
Materials and Supplies	17,200	17,250	15,373	1,877
<i>Total Expenses</i>	<u>730,196</u>	<u>730,196</u>	<u>642,822</u>	<u>87,374</u>
<i>Net Change in Fund Equity</i>	(205,196)	(180,196)	(23,020)	157,176
<i>Fund Equity Beginning of Year</i>	142,720	142,720	142,720	0
Prior Year Encumbrances Appropriated	93,446	93,446	93,446	0
<i>Fund Equity End of Year</i>	<u>\$30,970</u>	<u>\$55,970</u>	<u>\$213,146</u>	<u>\$157,176</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$96,137	\$96,262	\$91,925	(\$4,337)
Intergovernmental	12,000	12,000	20,226	8,226
Other	0	0	4,397	4,397
<i>Total Revenues</i>	<u>108,137</u>	<u>108,262</u>	<u>116,548</u>	<u>8,286</u>
Expenditures				
Current:				
Security of Persons and Property:				
Fire:				
Personal Services	395,150	408,150	390,532	17,618
Contractual Services	109,384	93,884	79,545	14,339
Materials and Supplies	26,312	28,812	19,180	9,632
Capital Outlay	29,900	29,900	27,827	2,073
<i>Total Expenditures</i>	<u>560,746</u>	<u>560,746</u>	<u>517,084</u>	<u>43,662</u>
<i>Excess of Revenues</i>				
<i> Under Expenditures</i>	<u>(452,609)</u>	<u>(452,484)</u>	<u>(400,536)</u>	<u>51,948</u>
Other Financing Sources				
Sale of Capital Assets	0	0	10,955	10,955
Transfers In	450,000	375,000	375,000	0
<i>Total Other Financing Sources</i>	<u>450,000</u>	<u>375,000</u>	<u>385,955</u>	<u>10,955</u>
<i>Net Change in Fund Balance</i>	(2,609)	(77,484)	(14,581)	62,903
<i>Fund Balance Beginning of Year</i>	120,845	120,845	120,845	0
Prior Year Encumbrances Appropriated	196	196	196	0
<i>Fund Balance End of Year</i>	<u>\$118,432</u>	<u>\$43,557</u>	<u>\$106,460</u>	<u>\$62,903</u>

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$175,412	\$175,394	\$167,248	(\$8,146)
Ambulance Fees	250,000	350,000	323,147	(26,853)
Intergovernmental	22,000	22,000	25,029	3,029
Other	0	0	517	517
<i>Total Revenues</i>	<u>447,412</u>	<u>547,394</u>	<u>515,941</u>	<u>(31,453)</u>
Expenditures				
Current:				
Public Health and Welfare:				
E.M.S.:				
Personal Services	1,035,220	1,051,820	1,015,388	36,432
Contractual Services	121,506	103,706	79,580	24,126
Materials and Supplies	39,261	40,461	28,724	11,737
Capital Outlay	15,700	15,700	11,293	4,407
<i>Total Expenditures</i>	<u>1,211,687</u>	<u>1,211,687</u>	<u>1,134,985</u>	<u>76,702</u>
<i>Excess of Revenues</i>				
<i>Under Expenditures</i>	<u>(764,275)</u>	<u>(664,293)</u>	<u>(619,044)</u>	<u>45,249</u>
Other Financing Sources				
Sale of Capital Assets	0	0	553	553
Transfers In	600,000	550,000	550,000	0
<i>Total Other Financing Sources</i>	<u>600,000</u>	<u>550,000</u>	<u>550,553</u>	<u>553</u>
<i>Net Change in Fund Balance</i>	(164,275)	(114,293)	(68,491)	45,802
<i>Fund Balance Beginning of Year</i>	134,594	134,594	134,594	0
Prior Year Encumbrances Appropriated	3,237	3,237	3,237	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$26,444)</u>	<u>\$23,538</u>	<u>\$69,340</u>	<u>\$45,802</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Fines and Forfeitures	\$6,000	\$6,500	\$6,321	(\$179)
Expenditures				
Current:				
General Government:				
Computer:				
Contractual Services	7,000	7,000	3,580	3,420
Materials and Supplies	4,000	4,000	1,205	2,795
Capital Outlay	4,000	4,000	785	3,215
<i>Total Expenditures</i>	<u>15,000</u>	<u>15,000</u>	<u>5,570</u>	<u>9,430</u>
<i>Net Change in Fund Balance</i>	(9,000)	(8,500)	751	9,251
<i>Fund Balance Beginning of Year</i>	<u>27,848</u>	<u>27,848</u>	<u>27,848</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$18,848</u></u>	<u><u>\$19,348</u></u>	<u><u>\$28,599</u></u>	<u><u>\$9,251</u></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, 2005*

	<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	\$1,500	\$1,500	\$2,645	\$1,145
Expenditures				
Current:				
Security of Persons and Property:				
Police:				
Contractual Services	3,000	3,000	982	2,018
Materials and Supplies	3,000	3,000	2,682	318
Capital Outlay	1,000	1,000	0	1,000
<i>Total Expenditures</i>	<u>7,000</u>	<u>7,000</u>	<u>3,664</u>	<u>3,336</u>
<i>Net Change in Fund Balance</i>	(5,500)	(5,500)	(1,019)	4,481
<i>Fund Balance Beginning of Year</i>	<u>7,315</u>	<u>7,315</u>	<u>7,315</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,815</u></u>	<u><u>\$1,815</u></u>	<u><u>\$6,296</u></u>	<u><u>\$4,481</u></u>

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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property and Other Taxes	\$104,898	\$103,843	\$96,385	(\$7,458)
Intergovernmental	12,000	12,000	10,961	(1,039)
<i>Total Revenues</i>	<u>116,898</u>	<u>115,843</u>	<u>107,346</u>	<u>(8,497)</u>
Expenditures				
Current:				
Basic Utility Services:				
Storm Sewers:				
Personal Services	0	11,500	11,500	0
Contractual Services	31,091	31,091	28,382	2,709
Materials and Supplies	9,800	9,800	2,979	6,821
Capital Outlay	134,570	123,070	108,742	14,328
<i>Total Expenditures</i>	<u>175,461</u>	<u>175,461</u>	<u>151,603</u>	<u>23,858</u>
<i>Net Change in Fund Balance</i>	(58,563)	(59,618)	(44,257)	15,361
<i>Fund Balance Beginning of Year</i>	55,299	55,299	55,299	0
Prior Year Encumbrances Appropriated	10,161	10,161	10,161	0
<i>Fund Balance End of Year</i>	<u>\$6,897</u>	<u>\$5,842</u>	<u>\$21,203</u>	<u>\$15,361</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property and Other Taxes	\$104,898	\$103,843	\$96,385	(\$7,458)
Intergovernmental	12,000	12,000	10,961	(1,039)
<i>Total Revenues</i>	<u>116,898</u>	<u>115,843</u>	<u>107,346</u>	<u>(8,497)</u>
Expenditures				
Current:				
Transportation:				
Streets, Sidewalks, and Maintenance:				
Personal Services	34,500	34,500	34,500	0
Contractual Services	52,000	43,000	34,570	8,430
Capital Outlay	41,660	50,660	50,534	126
<i>Total Expenditures</i>	<u>128,160</u>	<u>128,160</u>	<u>119,604</u>	<u>8,556</u>
<i>Net Change in Fund Balance</i>	(11,262)	(12,317)	(12,258)	59
<i>Fund Balance Beginning of Year</i>	17,046	17,046	17,046	0
Prior Year Encumbrances Appropriated	1,660	1,660	1,660	0
<i>Fund Balance End of Year</i>	<u>\$7,444</u>	<u>\$6,389</u>	<u>\$6,448</u>	<u>\$59</u>

City of North Canton
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Municipal Road Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$0	\$280,000	\$0	(\$280,000)
Expenditures				
Current:				
Transportation:				
Streets, Sidewalks, and Maintenance:				
Capital Outlay	<u>285,000</u>	<u>285,000</u>	<u>0</u>	<u>285,000</u>
<i>Net Change in Fund Balance</i>	(285,000)	(5,000)	0	5,000
<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 (Deficit) End of Year</i>	<u>(\$280,000)</u>	<u>\$0</u>	<u>\$5,000</u>	<u>\$5,000</u>

City of North Canton
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement Trust Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Fines and Forfeitures	\$0	\$0	\$1,326	1,326
Expenditures				
Current:				
Security of Persons and Property:				
Police:				
Materials and Supplies	<u>1,647</u>	<u>1,647</u>	<u>1,647</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,647)	(1,647)	(321)	1,326
<i>Fund Balance Beginning of Year</i>	<u>1,647</u>	<u>1,647</u>	<u>1,647</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$1,326</u></u>	<u><u>\$1,326</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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Other	\$3,600	\$6,400	\$16,320	\$9,920
Expenditures				
Current:				
General Government:				
Legislative and Executive:				
City Council:				
Materials and Supplies	5,000	5,000	1,500	3,500
Security of Persons and Property:				
Police:				
Materials and Supplies	11,918	11,918	1,652	10,266
Fire:				
Materials and Supplies	11,314	11,314	6,829	4,485
Total Security of Persons and Property	23,232	23,232	8,481	14,751
Public Health and Welfare:				
E.M.S.:				
Materials and Supplies	5,507	5,507	4,923	584
Leisure Time Activities:				
Park Department:				
Materials and Supplies	1,350	1,350	627	723
<i>Total Expenditures</i>	35,089	35,089	15,531	19,558
<i>Net Change in Fund Balance</i>	(31,489)	(28,689)	789	29,478
<i>Fund Balance Beginning of Year</i>	30,690	30,690	30,690	0
<i>Fund Balance (Deficit) End of Year</i>	(\$799)	\$2,001	\$31,479	\$29,478

City of North Canton
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Issue II Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Municipal Income Tax	\$0	\$217,000	\$217,000	\$0
Intergovernmental	0	2,921,950	0	(2,921,950)
<i>Total Revenues</i>	0	3,138,950	217,000	(2,921,950)
Expenditures				
Capital Outlay:				
Capital Outlay	1,991,360	3,138,950	2,840,103	298,847
<i>Net Change in Fund Balance</i>	(1,991,360)	0	(2,623,103)	(2,623,103)
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$1,991,360)</u>	<u>\$0</u>	<u>(\$2,623,103)</u>	<u>(\$2,623,103)</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	<u>\$1,150,000</u>	<u>\$1,137,600</u>	<u>\$1,197,244</u>	<u>\$59,644</u>
Expenses				
Contractual Services	165,100	165,100	152,352	12,748
Claims	<u>975,000</u>	<u>975,000</u>	<u>953,326</u>	<u>21,674</u>
<i>Total Expenses</i>	<u>1,140,100</u>	<u>1,140,100</u>	<u>1,105,678</u>	<u>34,422</u>
<i>Net Change in Fund Equity</i>	9,900	(2,500)	91,566	94,066
<i>Fund Equity Beginning of Year</i>	<u>186,836</u>	<u>186,836</u>	<u>186,836</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$196,736</u></u>	<u><u>\$184,336</u></u>	<u><u>\$278,402</u></u>	<u><u>\$94,066</u></u>

Statistical Section

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Program Revenues				
Charges for Services	\$1,057,209	\$833,365	\$725,523	\$785,969
Operating Grants and Contributions	556,158	532,454	555,201	444,747
Capital Grants and Contributions	150,425	200,034	170,000	0
General Revenues				
Property Taxes	1,233,289	1,264,521	1,235,911	1,166,057
Municipal Income Taxes	6,589,414	6,072,113	5,545,734	5,918,556
Intergovernmental	1,551,328	1,405,706	1,011,055	2,142,714
Interest	295,629	190,782	201,285	510,963
Other	38,953	137,593	65,061	76,875
Total	<u><u>\$11,472,405</u></u>	<u><u>\$10,636,568</u></u>	<u><u>\$9,509,770</u></u>	<u><u>\$11,045,881</u></u>
Expenses				
General Government	\$2,299,022	\$2,320,121	\$1,743,780	\$2,186,090
Security of Persons and Property:				
Police	3,038,460	2,989,872	2,731,715	2,729,059
Fire	602,558	698,556	619,487	544,630
Other	0	0	114,293	0
Public Health and Welfare	1,290,268	1,265,192	1,216,486	1,073,559
Transportation	1,988,890	2,406,573	3,791,505	2,711,933
Community Environment	397,328	312,279	302,185	297,363
Leisure Time Activities	1,190,514	1,100,428	1,086,524	1,004,002
Basic Utility Services	287,468	323,784	408,540	110,410
Intergovernmental	100,000	0	0	0
Interest and Fiscal Charges	83,215	40,583	13,344	0
Total	<u><u>\$11,277,723</u></u>	<u><u>\$11,457,388</u></u>	<u><u>\$12,027,859</u></u>	<u><u>\$10,657,046</u></u>

Source: City financial records

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

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

	2005	2004	2003	2002
Revenues				
Taxes (2)	\$7,362,787	\$7,306,072	\$6,885,984	\$7,044,991
Charges for Services	481,565	310,922	310,183	327,248
Licenses and Permits	0	108,151	123,536	101,617
Fines and Forfeitures	164,104	179,365	193,723	244,058
Intergovernmental	1,806,389	2,171,045	1,750,283	2,486,668
Special Assessments	0	0	0	0
Interest	304,147	162,281	181,586	510,963
Contributions and Donations	6,250	0	0	15,000
Rentals	96,054	0	0	0
Ambulance Fees	314,046	233,047	98,081	113,046
Other	38,953	137,593	65,036	76,875
Total	\$10,574,295	\$10,608,476	\$9,608,412	\$10,920,466
Expenditures				
Current				
General Government (3)	\$2,112,916	\$1,985,704	\$5,862,598	\$1,861,834
Security of Persons and Property: (4)		N/A	N/A	N/A
Police	2,914,728	2,773,795	2,568,189	2,521,968
Fire	532,590	527,577	494,508	494,655
Other	0	0	114,293	0
Public Health and Welfare	1,255,865	1,191,434	1,159,512	1,071,837
Transportation	1,330,351	1,285,060	1,339,514	1,094,539
Community Environment	393,027	323,573	286,643	277,441
Leisure Time Activities	1,043,587	947,010	949,013	871,033
Basic Utility Services	116,710	130,038	114,688	150,837
Intergovernmental	100,000	0	0	0
Settlement Agreement	1,500,000	0	359,336	359,336
Capital Outlay	2,978,281	2,873,416	3,255,013	2,202,853
Debt Service:				
Principal Retirement	2,213	0	0	0
Interest and Fiscal Charges	78,017	12,833	13,344	0
Total	\$14,358,285	\$12,050,440	\$16,516,651	\$10,906,333

Source: City financial records

- (1) Includes General, Special Revenue, Debt Service and Capital Projects funds.
- (2) Includes All Taxes
- (3) In 2003 the City bought a Golf Course for \$4.2 million.
- (4) 2002 was the first year subcategories were identified for security of persons and property.

2001	2000	1999	1998	1997	1996
\$6,502,582	\$7,942,334	\$7,400,779	\$7,904,104	\$7,228,937	\$5,841,224
312,693	305,120	298,693	400,635	253,450	238,431
118,623	140,905	157,475	105,826	111,371	143,767
91,355	85,999	30,110	55,030	44,907	45,639
2,364,205	3,400,249	3,099,228	1,856,415	2,244,674	1,869,637
0	0	16,689	21,015	21,015	27,198
835,486	1,019,352	707,892	824,450	706,318	634,074
22,430	632,568	241,294	0	0	0
0	0	0	0	0	0
121,875	99,299	66,315	0	0	0
68,953	33,652	10,988	167,709	23,004	11,726
<u>\$10,438,202</u>	<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>
\$1,758,108	\$1,601,772	\$1,461,342	\$1,540,090	\$1,401,131	\$1,378,480
2,884,587	2,468,042	2,565,366	2,431,410	2,084,016	1,980,589
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
921,120	865,914	833,863	770,643	679,551	644,628
907,321	936,608	765,327	691,571	686,623	620,162
302,995	234,491	237,267	243,869	200,379	199,357
858,485	718,856	719,554	676,052	607,922	609,101
25,009	35,271	21,020	13,150	7,291	23,433
0	0	0	0	0	0
0	0	0	0	0	0
3,171,010	3,007,454	3,923,594	3,167,891	2,988,106	2,923,779
0	0	0	0	0	0
0	0	16,013	17,545	18,288	22,260
<u>\$10,828,635</u>	<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>

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>
2005	\$1,440,031	\$1,404,479	97.53%	\$28,300	\$1,432,779	99.50%
2004	1,456,096	1,414,519	97.14	21,076	1,435,595	98.59
2003	1,389,753	1,343,805	96.69	23,705	1,367,510	98.40
2002	1,337,631	1,277,950	95.54	21,724	1,299,674	97.16
2001	1,308,241	1,258,302	96.18	26,061	1,284,363	98.17
2000	1,194,376	1,137,052	95.20	19,721	1,156,773	96.85
1999	1,168,384	1,137,191	97.33	14,902	1,152,093	98.61
1998	1,155,471	1,127,992	97.62	13,862	1,141,854	98.82
1997	1,097,863	1,069,650	97.43	11,155	1,080,805	98.45
1996	1,102,115	1,063,795	96.52	22,686	1,086,481	98.58

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.

Outstanding Delinquent Taxes (2)	Percent of Delinquent Taxes to Total Tax Levy
\$7,252	0.50%
20,501	1.41
18,643	1.34
37,957	2.84
23,878	1.83
37,603	3.15
16,291	1.39
13,617	1.18
17,058	1.55
15,634	1.42

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)
2005	\$351,192,260	\$1,003,406,457	\$10,739,360	\$12,203,818
2004	343,239,470	980,684,200	10,721,710	12,183,761
2003	308,739,000	882,111,429	10,577,000	12,019,318
2002	295,860,000	845,314,286	10,192,000	11,581,818
2001	286,814,000	819,468,571	12,074,000	13,720,455
2000	242,773,000	693,637,143	12,079,000	13,726,136
1999	235,909,000	674,025,714	13,799,000	15,680,682
1998	231,869,000	662,482,857	13,823,000	15,707,955
1997	205,234,000	586,382,857	14,365,000	16,323,864
1996	202,098,000	577,422,857	15,108,000	17,168,182

Source: Stark County, Ohio; County Auditor

- (1) This amount is calculated based on the following percentages:
 Real estate is assessed at thirty-five percent of actual value.
 Public utility personal is assessed at various rates from twenty-five to eighty-eight percent of actual value.
 Capital Assets for tangible personal are assessed at twenty-five percent of actual value.
 Inventory for tangible personal property is assessed at twenty-three percent of actual value.

Tangible Personal Property		Total		Ratio
Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value	
\$25,771,993	\$103,087,972	\$387,703,613	\$1,118,698,247	34.66%
31,315,868	125,263,472	385,277,048	1,118,131,433	34.46
33,455,000	133,820,000	352,771,000	1,027,950,747	34.32
32,029,000	128,116,000	338,081,000	985,012,104	34.32
30,382,000	121,528,000	329,270,000	954,717,026	34.49
28,524,000	114,096,000	283,376,000	821,459,279	34.50
28,719,000	114,876,000	278,427,000	804,582,396	34.61
28,023,000	112,092,000	273,715,000	790,282,812	34.64
29,170,000	116,680,000	248,769,000	719,386,721	34.58
29,318,000	117,272,000	246,524,000	711,863,039	34.63

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
2005	\$2.40	\$0.50	\$1.00	\$1.00	\$1.00	\$5.90
2004	2.40	0.50	1.00	1.00	1.00	5.90
2003	2.40	0.50	1.00	1.00	1.00	5.90
2002	2.40	0.50	1.00	1.00	1.00	5.90
2001	2.40	0.50	1.00	1.00	1.00	5.90
2000	2.40	0.50	1.00	1.00	1.00	5.90
1999	2.40	0.50	1.00	1.00	1.00	5.90
1998	2.40	0.50	1.00	1.00	1.00	5.90
1997	2.40	0.50	1.00	1.00	1.00	5.90
1996	2.40	0.50	1.00	1.00	1.00	5.90

Source: Stark County, Ohio; County Auditor

<u>Stark County</u>	<u>North Canton City School District</u>	<u>North Canton Library</u>	<u>Township</u>	<u>Total Direct and Overlapping Governments</u>
\$12.00	\$65.80	\$0.50	\$0.10	\$84.30
12.00	65.50	0.50	0.10	84.00
10.10	65.50	0.50	0.10	82.10
10.10	65.50	0.50	0.10	82.10
10.10	61.10	0.50	0.10	77.70
10.10	61.20	0.50	0.10	77.80
10.10	61.90	0.50	0.10	78.50
10.10	61.90	0.50	0.10	78.50
9.80	61.90	0.50	0.10	78.20
10.30	61.90	0.50	0.10	78.70

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
2005	\$3,738	\$2,926	78.28%	\$812
2004	0	0	0.00	0
2003	0	0	0.00	0
2002	2,243	2,243	100.00	0
2001	1,866	1,792	96.03	74
2000	2,621	2,371	90.46	250
1999	16,228	16,689	102.84	0
1998	21,476	21,015	97.85	461
1997	21,881	21,015	96.04	866
1996	23,291	22,260	95.57	1,031

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, 2005

Assessed Valuation	<u><u>\$387,703,613</u></u>
Overall Debt Limitation	
10.5% of Assessed Valuation	\$40,708,879
Real Estate Acquisition Note	(1,800,000)
Various Improvement Note	<u>(1,500,000)</u>
Overall Debt Margin Within 10.5% Limitation	<u><u>\$37,408,879</u></u>
Unvoted Debt Limitation - 5.5% of Assessed Valuation	\$21,323,699
Real Estate Acquisition Note	(1,800,000)
Various Improvement Note	<u>(1,500,000)</u>
Unvoted Debt Margin Within 5.5% Limitation	<u><u>\$18,023,699</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, 2005

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Amount Applicable to City of North Canton</u>
Overlapping:			
Jackson Local School District	\$77,454,635	0.61 %	\$472,473
North Canton City School District	15,304,795	50.92	7,793,202
Plain Local School District	60,444,913	6.17	3,729,451
Stark County Library	<u>6,540,000</u>	1.31	<u>85,674</u>
<i>Total</i>	<u><u>\$159,744,343</u></u>		<u><u>\$12,080,800</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)
	Number of Building Permits	Dollar Value of Building Permits	Number of Building Permits	Dollar Value of Building Permits	
2005	79	\$12,691,287	356	\$6,896,482	\$2,041,744
2004	71	7,516,171	408	15,055,863	2,081,380
2003	82	13,056,956	389	14,385,970	2,197,639
2002	99	3,342,641	413	15,464,205	2,153,245
2001	97	13,464,027	320	13,758,743	1,029,891
2000	101	19,727,804	421	14,704,616	1,021,596
1999	69	15,805,041	420	23,429,735	916,844
1998	31	7,182,504	387	15,524,616	843,638
1997	31	13,283,305	426	7,172,166	1,623,273
1996	23	22,381,394	415	12,087,768	1,570,223

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) Decrease in 1998 is due to Citizens National Bank's headquarters relocating.
- (3) 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, 2005

Taxpayer	Assessed Value	Percent of Assessed Value
Maytag Corporation - Hoover Company	\$8,721,700	2.48%
Versailles Gardens	3,989,170	1.14
McKinley Development Leasing Company Ltd.	3,398,320	0.97
Albrecht Incorporated	2,203,010	0.63
Potsdamer Platz LLC	2,096,990	0.60
Waterford at Saint Luke	2,029,980	0.58
Berlin Commons Ltd.	1,783,830	0.51
Williamsburg Apartments Ltd.	1,597,480	0.45
CETA Group Limited Partnership	1,403,540	0.40
Euro Development Ltd.	1,267,920	0.36
<i>Totals</i>	<u>\$28,491,940</u>	<u>8.12%</u>
Assessed Valuation	<u><u>\$351,192,260</u></u>	

Source: Stark County, Ohio; County Auditor

City of North Canton, Ohio
Principal Taxpayers - Tangible Personal Property
December 31, 2005

Taxpayer	Assessed Value	Percent of Assessed Value
Maytag Corporation - Hoover Company	\$15,631,270	60.65%
Mullinax Ford North Canton, Inc.	2,092,222	8.12
Fred W. Albrect Grocery Company	612,050	2.37
Time Warner Entertainment Company	575,290	2.23
Kmart Corporation	485,200	1.88
Willis Motor Company	482,670	1.87
Marc Glassman Inc.	418,250	1.62
Key Corporate Capital, Inc.	298,550	1.16
Gabriel Brothers, Inc.	292,690	1.14
IBM Credit, LLC	234,400	0.91
<i>Totals</i>	<u>\$21,122,592</u>	<u>81.95%</u>
Assessed Valuation	<u>\$25,771,993</u>	

Source: Stark County, Ohio; County Auditor

City of North Canton, Ohio
Principal Taxpayers - Public Utility Property
December 31, 2005

Taxpayer	Assessed Value	Percent of Assessed Value
Ohio Power Company	\$4,614,210	42.97%
Ohio Bell Telephone	4,119,740	38.36
East Ohio Company	604,630	5.63
<i>Totals</i>	<u>\$9,338,580</u>	<u>86.96%</u>
Assessed Valuation	<u>\$10,739,360</u>	

Source: Stark County, Ohio; County Auditor

City of North Canton, Ohio
Demographic Statistics
Last Ten Years

Year	Population	School Enrollment	Stark County Unemployment Rate
2005	16,796	4,963	6.40%
2004	16,722	4,980	6.60
2003	16,722	4,933	6.50
2002	16,369	4,872	5.50
2001	16,369	4,654	4.00
2000	16,369	4,714	3.80
1999	15,750	4,635	4.50
1998	15,750	4,630	4.10
1997	15,740	4,472	4.80
1996	15,736	4,346	5.40

Sources: Federal 2000 Census and United States Census Bureau
 Federal 2004 Population Estimate United States Census Bureau
 Stark County Planning Commission
 North Canton Board of Education
 Ohio Bureau of Employment Services

City of North Canton, Ohio

Miscellaneous Statistics

December 31, 2005

Date of Incorporation	1962
Form of Government	Mayor-Administrator-Council
Area:	6.73 Square Miles 4,306 Acres
Miles of Streets	95.46
Number of Street Lights	1,149
Number of Traffic Lights	24
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	117
Part-Time	78
Municipal Water Department:	
Number of Consumers	8,544
Miles of Water Mains	127.34
Average Daily Gallons Sold Per Consumer	292.14
Sewers:	
Number of Sanitary Sewer Customers	6,197
Miles of Sanitary Sewers	63.70
Miles of Storm Sewers	47.41

(continued)

City of North Canton, Ohio
Miscellaneous Statistics (continued)
December 31, 2005

Building Permits Issued:	
Residential	356
Commercial	79
Recreation and Culture:	
Number of Parks	11
Acres	191.35
Number of Public Libraries	1
Number of Volumes:	
Book Volumes	95,157
Compact Disc Recordings	12,248
Video Cassetts/DVD's	14,084
Compact Disc ROMS	893
Education:	
Attendance Centers	7
Number of Classrooms	287
Number of Administrators	27
Number of Teachers	340
Number of Students	4,963

Source: City Records



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF NORTH CANTON

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 13, 2006**