

**CITY OF NORTH CANTON
STARK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

CITY OF NORTH CANTON
STARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountant's Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	1

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**Auditor of State
Betty Montgomery**

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

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

To the Honorable Mayor and City Council:

We have audited the financial statements of the City of North Canton, Stark County, Ohio, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated August 15, 2003, in which we noted the City adopted Governmental Accounting Standards Board Statement 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 15, 2003.

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

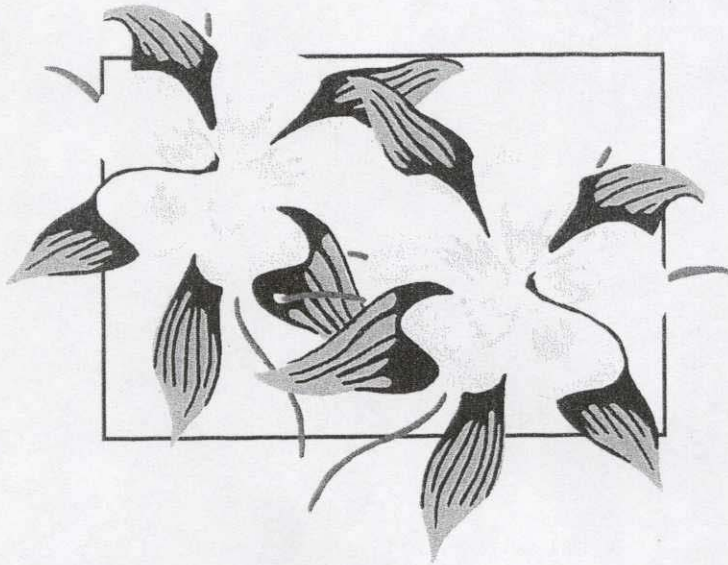
This report is intended for the information and use of the audit committee, management, and City Council and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 15, 2003

City of
North Canton, Ohio



"The Dogwood City"

Comprehensive
Annual Financial Report
For Fiscal Year Ended December 31, 2002

Prepared by the Department of Finance
Julie A. Herr, CPA
Director of Finance

Introductory Section

City of North Canton, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2002
Table of Contents

I. Introductory Section

Table of Contents	i
Letter of Transmittal.....	iv
GFOA Certificate of Achievement.....	xiii
Organizational Chart	xiv
List of City 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
Emergency Medical Services Levy 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 Statements and Individual Fund Statements and Schedules:

Combining Statements - Nonmajor Governmental Funds:

Fund Descriptions.....	55
Combining Balance Sheet - Nonmajor Governmental Funds	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	58
Fund Statement – Fiduciary Fund:	
Fund Description	60
Statement of Changes in Assets and Liabilities - Agency Fund.....	61
Individual Fund Schedules of Revenues, Expenditures/Expenses and Changes in Fund Balance/Fund Equity - Budget (Non-GAAP Basis) and Actual:	
Major Funds:	
General Fund	63
Emergency Medical Services Levy Fund	67
Capital Improvements Fund	68
Water Revenue Fund	69
Sewer Revenue Fund.....	70
Garbage Service Fund	71
Nonmajor Funds:	
Fire Operating Levy Fund	72
Computer Fund.....	73
Enforcement and Education Fund	74
Street Construction, Maintenance and Repair Fund.....	75
Storm Sewer Levy Fund	76
Street Levy Fund	77
Municipal Road Fund.....	78
General Trust Fund.....	79
Insurance Fund	80

III. Statistical Section

General Governmental Revenues by Source and Expenses/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.....	S18
Miscellaneous Statistics	S19



City of NORTH CANTON, OHIO

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

August 15, 2003

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, 2002, and had 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 for the first time being presented in compliance with the new GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."

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

The Comprehensive Annual Financial Report consists of three major sections.

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

THE REPORTING ENTITY

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

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

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

THE CITY OF NORTH CANTON

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

The City is located in the northern half of Stark County and is approximately 6.37 square miles in size. The City's population, according to the 2000 census, was 16,369. The City is in close proximity to Interstate 77 which provides access to other metropolitan areas, including Canton, Akron and Cleveland. The Akron-Canton Regional Airport, which is within 10 miles of the City, provides commercial passenger and air freight service.

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

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

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

CITY GOVERNMENT

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

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

The City continues to grow at a steady rate, both in the areas of commercial and residential development. During 2002, numerous commercial construction projects were completed, including a \$700,000 building addition to the North Canton Medical Foundation, a \$1,250,000 building for the headquarters of the Girl Scouts Great Trail Council, a \$1,100,000 new dormitory for Walsh University, and building additions in the amounts of \$1,600,000 and \$1,500,000 for the North Canton YMCA and North Canton Public Library, respectively. Construction was also completed on a \$3,700,000 automobile dealership and auto body shop. This project has resulted in approximately 140 new jobs within the City.

Development of the Washington Square retail and commercial area of the City continued on throughout 2002. A new \$580,000 office building was constructed in 2002 which will house two separate medical offices. Another 3,750 square foot office building began construction in 2003.

Other new commercial projects scheduled for 2003 include a 5,716 square foot office building on South Main Street and a Swenson's Drive-In Restaurant located on North Main Street. Also scheduled for groundbreaking in 2003 are a new \$4.5 million residence hall and a new 30,000 square foot addition to the Natural Science Building at Walsh University. It is anticipated that both projects will be completed in 2004.

The City's boundaries continue to grow through annexation. In June of 2002, an annexation of 46.82 acres brought new residential areas and several new businesses into the City. Currently, the City is working on developing a Community Economic Development Agreement with Plain Township and Stark County to facilitate the annexation of a 107-acre parcel of land which will eventually be developed as a housing development with approximately 200 single-family homes and 200 multi-family units.

During 2002, a total of 413 new single family permits were issued at a value of approximately \$12 million. Most of these new permits are for the City's two newest housing developments, Washington Square and Monticello. In addition, a new 12 unit multi-family residential complex was near completion at the end of 2002.

The City offers a Community Reinvestment Area Tax Abatement (CRA) program for specially designated areas within the City. This program is available to both commercial and residential projects that involve new construction or renovations to existing buildings. The abatement is given on the improvement to the facilities. The City currently has five commercial and one residential CRA agreements in place. A sixth commercial agreement is in development as of May 2003.

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 two Enterprise Zone agreements that were in effect in 2002.

MAJOR INDUSTRY AFFECTING LOCAL ECONOMY

During 2001, the City entered into a settlement agreement with the Maytag Corporation, the parent company of the City's largest employer, the Hoover Company. This agreement resulted in the amendment of City income tax returns being filed on a consolidated basis, rather than a single company basis. As a result, the City was required to payback \$1,078,008 over a three-year period to Maytag. As of December 31, 2002, the City still owes \$359,336. There is also the potential to pay back an additional \$2,114,126 in 2004.

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

MAJOR INITIATIVES

Current Projects

In 2001, the City entered into a \$1.1 million contract for the construction of a 24 inch raw waterline to connect a newly developed well field to the Water Treatment Plant. In June 2001, two separate monitoring wells surrounding this new well were found to be contaminated. Preliminary results indicated that the contamination was due to a recent dumping and that the ground water had not been affected. City officials made the decision to halt the construction of the raw waterline, which, at that time, was approximately 30 percent complete. In March 2002, the EPA conducted final testing of the monitoring wells and found that the wells tested clean. In order to obtain EPA approval to use this well field, it will have to be tested on a quarterly basis over a 12-month period. In May 2003, the City entered into a contract with a specialized firm to conduct the quarterly testing.

After the contamination was discovered and the use of the new well field put on hold, the City actively pursued other options to ensure an emergency backup water supply. As a result, the City entered into an agreement with the City of Canton to purchase water on an as needed basis. In 2002, the City started and completed construction on an approximately \$900,000 raw waterline connection to the City of Canton. This line will provide the City now, and in the years to come, a backup water supply in the event that any of the wells of the City become inoperable.

In May 2002, the City completed an environmental assessment of its Dressler Road well field site due to accounts of dumping in prior years. The investigation led to the detection of PCB's in one area of the well field, which were successfully removed. The investigation was completed, testing performed, and EPA approval granted to continue production from the well site.

In late 2002, bids were accepted for the construction of improvements and upgrades to the City's Water Treatment Plant. These improvements will increase the efficiency of the operation, which will result in lower energy costs and chemical costs, as well as a safer working environment for City employees. The construction contracts were awarded in January 2003 and construction began in April 2003. Also in January 2003, the City was awarded a low interest loan with the Ohio EPA through the Water Supply Revolving Loan Account to fund this project. The total amount of the loan is estimated to be \$7.3 million.

The City continued its commitment to fund infrastructure projects. These projects include road resurfacing, curbs, gutters, and water and sanitary sewer lines. The City entered into contracts for seven major infrastructure projects during 2002, including the Sheraton Drive Improvements, Weber Avenue waterline, and Castlewood Avenue improvements.

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

The success of the City's curbside recycling program continued into 2002 from its start in 2001. The City received a \$60,000 grant from the Stark-Tuscarawas-Wayne Joint Solid Waste District to help fund the recycling program. Also in 2002, the City expanded the current recycling program by offering leaf recycling to its residents, at no additional cost. The leaf recycling program was partially funded by a grant from the Stark-Tuscarawas-Wayne Joint Solid Waste District.

Major equipment purchases in 2002 include: three unmarked detective cars for the Police Department at a total cost of \$72,054; a loader for the Street Department at a cost of \$83,799; and a one-ton dump truck for the Street Department at a cost of \$34,128.

Future Projects

In June 2003, the Mayor, as authorized by City Council, entered into a purchase agreement for the premises known as Arrowhead Country Club at a cost not to exceed \$4.2 million. This area, approximately 105 acres, is currently being operated as a private country club and golf course. The purchase price includes the cost of the land, clubhouse and pool, as well as all fixtures and equipment owned by Arrowhead. It is the City's intent, once it receives possession, to operate the property as a public golf course, possibly through a management contract. Long term plans for the land will be carefully developed by the City with input from citizens, to determine the best overall use for the land.

In May 2003, the City began the process of annexing new land into the City by entering into the City's first Cooperative Economic Development Agreement (CEDA) between the City, Stark County and the Plain Township Board of Trustees. The land to be annexed is approximately 107 acres and is currently located in Plain Township. This land is intended to be developed for residential and multi-family housing under the development name of "The Villages at the Sanctuary".

During 2002, the City entered into an agreement for design services for the expansion of the City's Water Treatment Plant. It is the City's plan to coordinate this project so that construction of the expansion would begin immediately upon completion of the improvements and upgrades that are currently under way. The expansion would allow the plant to produce almost 9 million gallons per day. The preliminary cost of the expansion is \$3.7 million.

In May 2003, the City was notified that it had been awarded a U.S. EPA grant through the 2003 Special Appropriations Project in the amount of \$867,300. This type of grant project required a 45 percent local match. The City is considering using the grant monies to help fund the Water Treatment Plant expansion noted above.

In 2003, the City committed over \$4.8 million in funds for various infrastructure projects, including \$1.3 million for the Middlesworth subdivision rehabilitation and \$715,000 for the Portage Street waterline and Ream Avenue improvements.

FINANCIAL INFORMATION

Introduction

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

Internal Accounting Controls

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

Accounting Policies and Budgetary Control

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

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and the City Charter. According to the City's charter, the Mayor, with the assistance of the Finance Director, is required to submit to Council a schedule of anticipated revenue for the succeeding year by May 15 and a schedule of anticipated expenditures for the succeeding year by June 15. By July 15, after a public hearing, the City must adopt a tax budget for the succeeding year. The tax budget is then presented for review by the County Budget Commission, which is comprised of the County Auditor, Treasurer and Prosecuting Attorney. After approval of the tax budget, the County Budget Commission certifies its action to the City and remits to the City a Certificate of Estimated Resources. The Finance Director then submits to Council an appropriation ordinance for the succeeding 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 operating 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 \$15,000), be authorized by Council ordinance and awarded to a qualified responsible bidder through the Board of Control.

New Financial Reporting Model

This is the first 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 2002 and a discussion of current issues affecting the City.

CASH MANAGEMENT

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

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

RISK MANAGEMENT

The City carries property and liability insurance through Clarendon Insurance Co. Insurance premiums for the policy period of April 15, 2002 through April 15, 2003 totaled \$100,453.

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

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

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

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

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

THE INDEPENDENT AUDIT

Ohio law requires independent audits to be performed on all financial operations of the City either by the Auditor of State or an independent public accounting firm, if permitted by the Auditor of State. The Auditor of State's office rendered an opinion on the City's financial statements as of December 31, 2002, 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, 2001. 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 fourteen consecutive years (1988 - 2001). 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 fifteenth consecutive Comprehensive Annual Financial Report (CAFR) issued by the City of North Canton. We would like to thank the Mayor and Members of Council for their support that has allowed the upgrading of the Financial and Accounting Information System to the status that residents of the City of North Canton demand and deserve.

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

Respectfully submitted,

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

Julie A. Herr
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

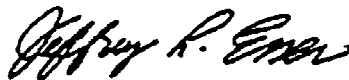
City of North Canton,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

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



President

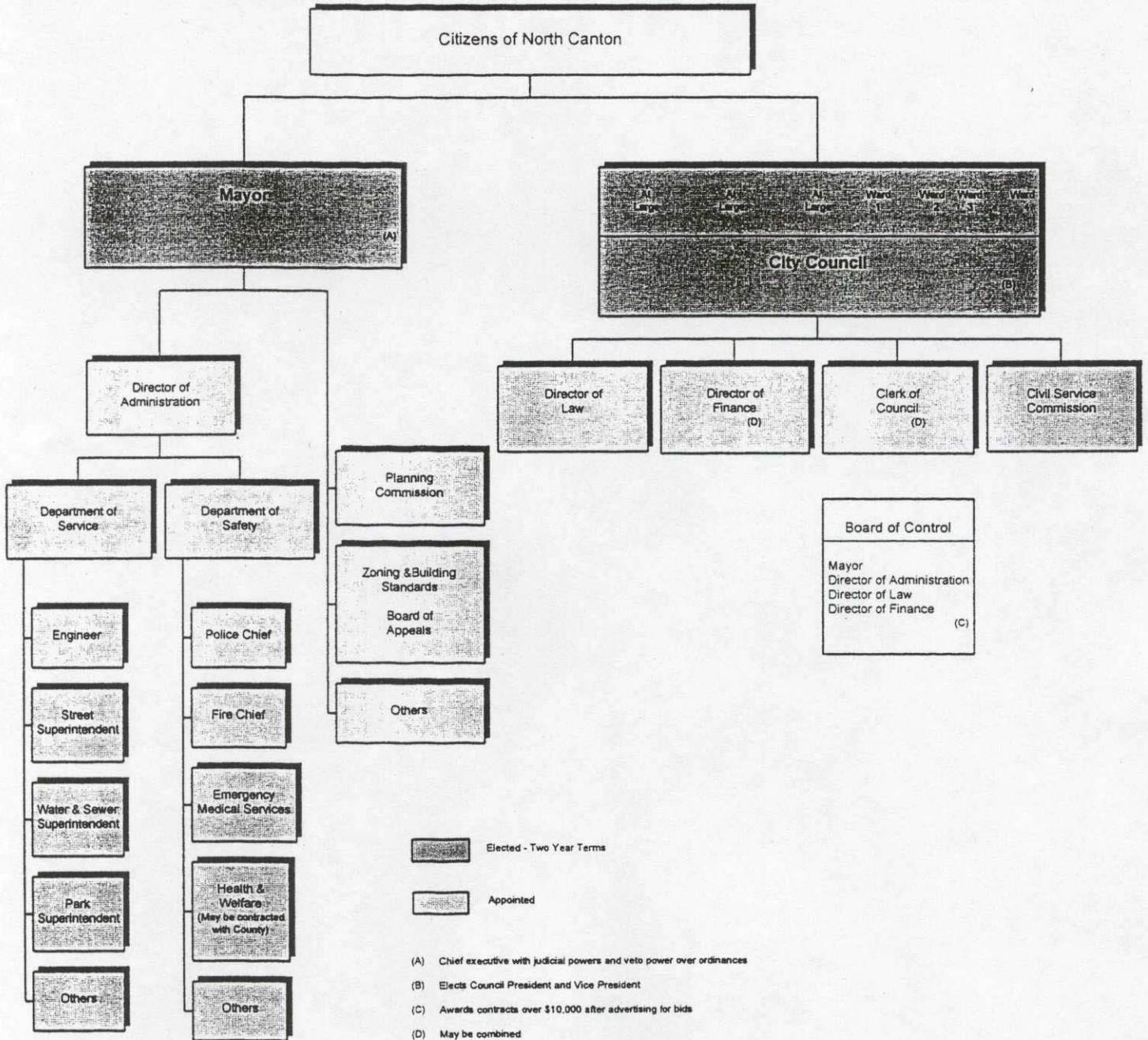


Executive Director

The City of North Canton, Ohio

Charter Government

Organizational Chart



CITY OF NORTH CANTON

ELECTED CITY OFFICIALS

MAYOR

HONORABLE THOMAS RICE

CITY COUNCIL
DECEMBER 31, 2002

JON SNYDER, PRESIDENT
WARD 4

MARCIA KIESLING, AT-LARGE

KATHLEEN MAGEL, AT-LARGE

CHARLES OSBORNE, JR., AT-LARGE

DOUGLAS V. FOLTZ, WARD 1

DAVID LINDOWER, WARD 2

RICK McLAUGHLIN, WARD 3

APPOINTED CITY OFFICIALS

DIRECTOR OF FINANCE

JULIE A. HERR

DIRECTOR OF ADMINISTRATION

DAVID J. HELD

DIRECTOR OF LAW

ROY H. BATISTA

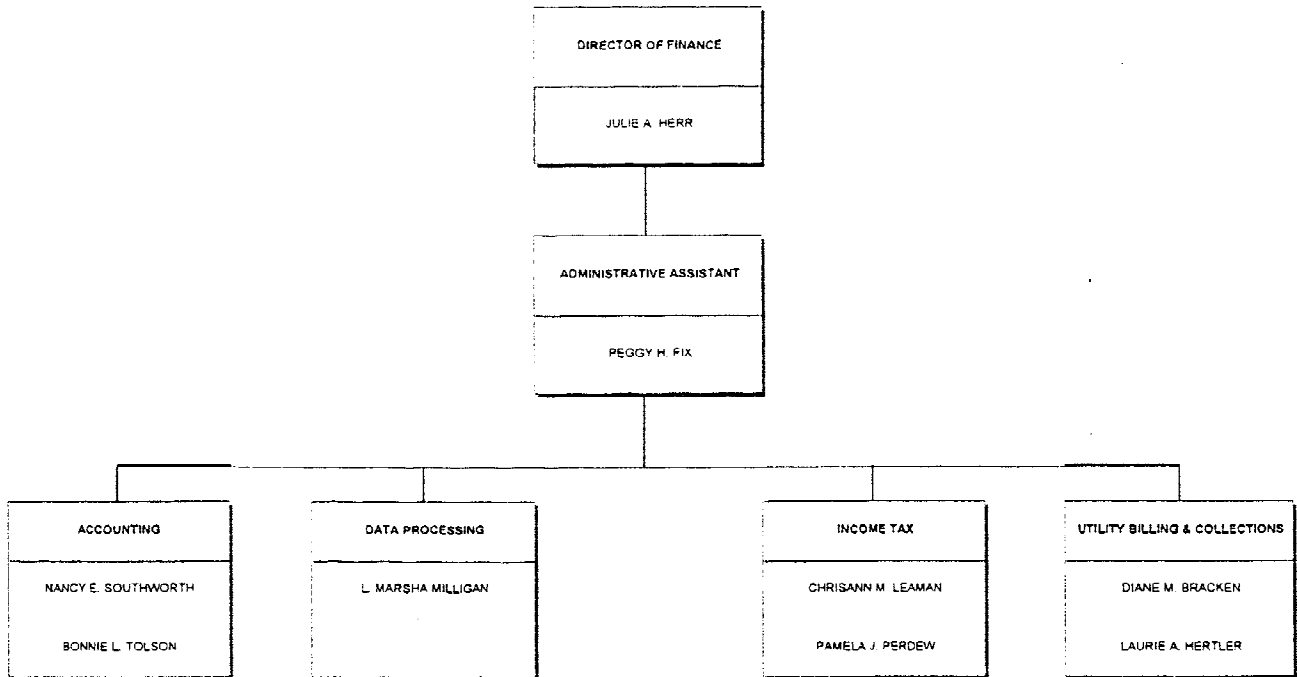
CLERK OF COUNCIL

MARY LOUISE BITTLE

The City of North Canton, Ohio

Department of Finance

Organizational Chart



Financial Section



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Canton, Stark County, Ohio, (the City) as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Canton, Stark County, Ohio, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Special Revenue Emergency Medical Services Levy Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2002, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis— for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Betty Montgomery
Auditor of State

August 15, 2003

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
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, 2002. The intent of this discussion is to provide a narrative that 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 2002 are as follows:

- Total Net Assets increased \$1,378,959, over 2001. Net Assets of governmental activities increased \$388,835 over 2001, an increase of 1.1 percent. Net Assets of business-type activities increased \$990,124 over 2001, an increase of 5.0 percent.
- Total Assets of the City increased \$992,638 or 1.6 percent above the 2001 level.
- Total Liabilities of governmental activities decreased \$400,400. This is a reduction of 6.6 percent from the previous year.
- Total Outstanding Debt of the business-type activities decreased \$78,887, a decrease of 8.5 percent from 2001.

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 2002 and how they effected the operations of the City as a whole.

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 non-fiduciary assets and all liabilities using the accrual basis of accounting. This method takes into account all revenues when they are earned and all expenses when they are incurred. These transactions are booked when they occur and not when the actual cash is received for revenues or when invoices are paid for expenses.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

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

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

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

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

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

Fund Financial Statements

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

In this report, the focus is on six major funds, the General Fund, the Emergency Medical Services Levy Fund, the Capital Improvements Fund, the Water Revenue Fund, the Sewer Revenue Fund, and the Garbage Service Fund.

Governmental Funds All of the City's major activities (excluding the Utility Department) are reported in the governmental funds. This report shows how monies flow into and out of these funds and also shows what balances are available for future expenditures. The accounting method used to report this activity is the modified accrual method. This method reports cash and like-cash items that can be converted into cash. This shows what level of financial resources is available or will be available to provide the services that the general government will provide 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 governmental funds is reconciled in the financial statements.

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

The City of North Canton as a Whole

The Statement of Net Assets provides an overall view of the City. Table 1 shows a summary of the City's net assets for 2002 as they compare to 2001.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
Assets						
Current and Other Assets	\$20,286,291	\$20,417,042	\$3,192,616	\$4,142,582	\$23,478,907	\$24,559,624
Capital Assets, Net	19,705,944	19,586,758	20,438,629	18,484,460	40,144,573	38,071,218
Total Assets	39,992,235	40,003,800	23,631,245	22,627,042	63,623,480	62,630,842
Liabilities						
Current and Other Liabilities	2,131,495	2,112,030	1,746,764	1,989,306	3,878,259	4,101,336
Long-Term Liabilities:						
Due Within One Year	499,469	540,080	145,339	78,887	644,808	618,967
Due in More than One Year	3,050,499	3,429,753	1,037,217	847,048	4,087,716	4,276,801
Total Liabilities	5,681,463	6,081,863	2,929,320	2,915,241	8,610,783	8,997,104
Net Assets						
Invested in Capital Assets						
Net of Debt	19,705,944	19,586,757	18,341,581	18,484,460	38,047,525	38,071,217
Restricted:						
Capital Projects	2,709,155	2,212,008	0	0	2,709,155	2,212,008
Other Purposes	470,757	753,069	0	0	470,757	753,069
Unrestricted	11,424,916	11,370,103	2,360,344	1,227,341	13,785,260	12,597,444
Total Net Assets	\$34,310,772	\$33,921,937	\$20,701,925	\$19,711,801	\$55,012,697	\$53,633,738

Total assets increased in 2002 by \$992,638. This increase was the result of an increase in capital assets of \$2,073,355 which was offset by a decrease in current assets of \$1,080,717. Both of these changes were primarily attributable to the completion of a raw waterline hookup to the City of Canton. The City issued short-term notes in 2001 to fund this project, however a majority of the expense was not paid until 2002, when the project was completed. The remainder of the increase in capital assets is due to new and replacement waterline and sewerline projects.

Total liabilities decreased by \$386,321 in 2002. Total liabilities of governmental activities decreased by \$400,400 while liabilities of business-type activities increased slightly by \$14,079. The decrease in governmental activities liabilities was mainly due to the payment in 2002 of the second of three annual payments to be made as a result of the Settlement Agreement with the Maytag Company.

Total net assets increased by \$1,378,959. This is a result of a decrease in total liabilities along with an increase in total assets.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

Table 2 shows the changes in net assets for the year ended December 31, 2002 for both our Governmental activities and our Business-Type activities. Since this is the first year the City has prepared financial statements following GASB Statement 34, revenue and expense comparisons to the year 2001 are not available. In future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	Governmental Activities 2002	Business-Type Activities 2002	Total 2002
Revenues			
Program Revenues:			
Charges for Services	\$785,969	\$6,062,635	\$6,848,604
Operating Grants and Contributions	444,747	72,734	517,481
Capital Grants and Contributions	0	451,754	451,754
General Revenues:			
Property Taxes	1,166,057	0	1,166,057
Municipal Income Taxes	5,918,556	0	5,918,556
Grants and Entitlements	2,142,714	0	2,142,714
Other	587,838	67,900	655,738
Total Revenues	11,045,881	6,655,023	17,700,904
Program Expenses			
General Government	2,186,090	0	2,186,090
Security of Persons and Property			
Police	2,729,059	0	2,729,059
Fire	544,630	0	544,630
Public Health and Welfare	1,073,559	0	1,073,559
Transportation	2,711,933	0	2,711,933
Community Environment	297,363	0	297,363
Leisure Time Activities	1,004,002	0	1,004,002
Basic Utility Services	110,410	0	110,410
Water Revenue	0	3,205,456	3,205,456
Sewer Revenue	0	1,825,042	1,825,042
Garbage Service	0	634,401	634,401
Total Expenses	10,657,046	5,664,899	16,321,945
Increase in Net Assets	\$388,835	\$990,124	\$1,378,959

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

Governmental Activities

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

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 that level currently. The City also allows a 100 percent credit of taxes paid to other municipalities, up to 1.5 percent of the income. On a full accrual basis, the City received income tax revenues of \$5,918,556. At the beginning of the year, the Finance Director may allocate fifty percent of the estimated current income tax revenues to the capital improvements fund whereas the remainder is used to support general fund activities as well as fire, EMS, storm sewer and street maintenance and repair activities. The transferring of 50 percent of income tax revenues to the capital improvements fund has made it possible for the City to fund numerous capital improvements without issuing debt.

The operations of the City's police department and transportation department account for the largest expenses of the governmental activities, each representing approximately 26 percent 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 2002, the City operated a fire department with a part-time Chief, four 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 during 2002 had one full-time chief and eight full time paramedics/EMT's. The remainder of the staffing needs was met by part-time personnel. The EMS department is also accounted for in a separate fund which receives a 1.0 mill property tax levy. Additional funding is also derived by billing for transports provided to non-residents of the City. These revenues, which amounted to \$113,046 in 2002 are reported under charges for services. The EMS department is also subsidized by the general fund.

During 2002, the City began the process of combining the City's fire and EMS departments. The goal of this process was to have both departments report to the same Chief and to be able to pool labor resources, where possible. This plan was to be completed in 2003, upon the retirement of the current EMS chief at the end of 2002.

Business-Type Activities

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

The water utility services 8,103 customers which includes residents of the City as well as outside-City customers. Of the total 8,103 customers, 6,009 are inside the City, and 2,094 are outside the City. Effective May 2002, the City increased its water rates from \$2.00 to \$2.75 per thousand gallons for inside City residential customers and from \$5.00 to \$5.50 per thousand gallons for outside City residential customers.

Business rates also increased for both inside and outside City customers.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

The City's water treatment plant treats an average of 3.5 million gallons per day with a capacity to treat an additional 2.5 million per day. The raw water is supplied by seven wells throughout the City. The water treatment plant was built in 1971. Over the past three years, plans to improve and upgrade the water treatment plant have been in development. Also underway are design plans to expand the water treatment plant to allow for capacity of 8.7 million gallons per day.

The City contracts with the City of Canton to provide sewer treatment services. The City of North Canton does own and maintain sewer lines throughout the City. The City has 6,970 sewer customers. Residential customers pay a flat sewer fee of \$15.00 where business customers pay a minimum rate of \$10.50 for 5,000 gallons and then \$2.10 for each additional 1,000 gallons.

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

The revenues and expenses for all three of these utilities are reported under the Business Type Activities in Table 2. The revenues come primarily from charges for services. In 2002, this amount of \$6,062,635 accounted for 91 percent of the revenues. The total expenses for the utilities were \$5,664,899, leaving a change in net assets excess of revenue over expense of \$990,124 for the Business-Type Activities.

The City's Funds

Information about the City's governmental funds begins on page 16. These funds are accounted for using the modified actual method of accounting. All governmental funds had revenues of \$10,920,466 and expenditures of \$10,906,333. The City's general fund reflected a decrease in fund balance of \$229,207, however the ending fund balance of \$13,893,230 is more than ample to meet these times of lower revenues. Overall, the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

Information about the proprietary funds starts on page 22. These funds are accounted for on an accrual basis. All business-type funds had operating revenues of \$6,120,753, which exceeded operating expenses of \$5,604,608 by \$516,145 or 8.4 percent of operating revenues. The water revenue fund had operating revenues of \$3,928,708 which exceeded operating expenses of \$3,148,250. The sewer revenue fund had operating revenues of \$1,648,105 and operating expenses of \$1,821,957 and the garbage service fund had operating revenues of \$543,940 and operating expenses of \$634,401. The City is consistent with reviews of these funds, and the necessary adjustments are made to ensure strength in our enterprise funds.

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 2002, only one supplemental appropriation was 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.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

Strong emphasis is placed on fund balances. The Finance Director reviews fund balances on a daily basis. Special attention is paid to the City's largest funds, which are the General, Sewer Revenue and Water Revenue 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 ensure the entire operation of the City operates within the appropriations.

For the general fund, original and final budgeted revenues were \$8,397,876 and actual revenue collections were \$9,783,317. The majority of the increase in actual revenue over the original and final budgeted amounts is due to estate taxes and income taxes. The City's ending unencumbered cash balance in the general fund was \$2,445,367 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	
	2002	2001	2002	2001	2002	2001
Land	\$2,628,853	\$2,468,612	\$602,367	\$602,367	\$3,231,220	\$3,070,979
Construction in Progress	14,251	0	1,216,425	821,114	1,230,676	821,114
Buildings	1,770,160	1,930,538	2,879,526	2,836,814	4,649,686	4,767,352
Equipment	1,899,914	1,772,594	825,554	718,633	2,725,468	2,491,227
Infrastructure						
Streets	9,156,974	9,219,461	0	0	9,156,974	9,219,461
Water Lines	0	0	10,383,944	9,112,576	10,383,944	9,112,576
Storm Sewers	4,134,101	4,088,120	0	0	4,134,101	4,088,120
Sewer Lines	0	0	4,530,813	4,392,956	4,530,813	4,392,956
Bridges	101,691	107,433	0	0	101,691	107,433
<i>Totals</i>	<u>\$19,705,944</u>	<u>\$19,586,758</u>	<u>\$20,438,629</u>	<u>\$18,484,460</u>	<u>\$40,144,573</u>	<u>\$38,071,218</u>

Total Capital Assets for the City of North Canton for the year ended December 31, 2002 was \$40,144,573 which is an increase of \$2,073,355 over the 2001 figure of \$38,071,218. The majority of this increase was due to projects under the business-type activities. During 2002, the City completed a \$900,000 raw waterline connection to the City of Canton. In addition, several projects have been added as Construction in Progress, including the engineering and design for the upgrades, improvements and expansion to the City's water treatment plant. See Note 8 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, 2002
Unaudited

Debt

The outstanding debt for the City of North Canton as of December 31, 2002 was \$3,320,510. This balance reflected a reduction of \$526,741 from the previous year's balance of \$3,847,251, a reduction of 13.7 percent.

Table 4
 Outstanding Debt at Year End

Governmental Activities		Business-Type Activities	
Settlement Agreement Payable		OWDA	
2002	2001	2002	2001
\$2,473,462	\$2,921,316	\$847,048	\$925,935

The Settlement Agreement Payable recorded in the governmental activities is for the income tax refund payable to Maytag Corporations. This will be paid off in 2004. The OWDA Loan recorded in the business-type activities is for the construction of a \$1.0 million water storage facility. This loan is to be repaid through user fees over a 10 year period. The loan will be paid off in 2010.

See Note 14 in the financial statements for more information regarding the City's debt.

Current Financial Issues

The City of North Canton remains financially strong, even through the economic downturn that began in 2001 and continued into 2002. Over the last ten years, income tax collections have increased about 48 percent, or an average of almost 5 percent per year. As fifty percent of our income tax collections are directed to capital improvements, the City has been able to accomplish numerous street improvement projects, including our Main Street Streetscape project, without debt. In fact, the only debt the City has is for the City's water utility. This debt will be repaid from user fees.

The City is continuing to grow through annexation. In June of 2002, an annexation of 46.82 acres brought new residential areas and several new businesses into the City. Currently, the City is working on developing a Community Economic Development Agreement with Plain Township and Stark County to facilitate the annexation of a 107-acre of land which will eventually be developed as a housing development with approximately 200 homes and 200 multi-family units.

In light of the recent economy, the City has also made a conscious effort to keep operating expenses within previous year's levels. An example of this effort is the Administration's decision, with full support of Council, to combine the City's fire and EMS departments. These departments will report to one chief and will pool their labor resources where possible. The goal is to increase the efficiency of the departments as well as eliminate personnel costs by eliminating one of the chief positions and by reducing overtime. Another cost saving measure of the City was the switch to another health insurance carrier and third party administrator. Early estimates of savings the City could realize with this change are around \$60,000 per year.

City of North Canton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

As we go into 2003, the Administration has made it a priority to review our current fee schedules to determine if the various rates we are currently charging are adequate, considering our current operations. These fees include our civic center and park shelter rental fees, swimming pool fees, and licenses and permit fees. In

2002, the City increased its water rates by 37.5 percent for inside City customers in order to make the water rate more representative of the actual cost of producing, treating and distributing the water. Both the Administration and City Council have declared their intention of reviewing rates on a more frequent basis.

The City of North Canton has committed itself to financial excellence. We are reporting under the GASB Statement 34 reporting requirements earlier than required and we are also preparing our fifteenth Comprehensive Annual Financial Report. We will be submitting our 2002 CAFR for the Government Finance Officers Certificate of Achievement for Excellence in Financial Reporting.

Contacting the City's Finance Department

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

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City of North Canton, Ohio
Statement of Net Assets
December 31, 2002

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and Cash Equivalents	\$16,532,440	\$2,364,287	\$18,896,727
Cash and Cash Equivalents In Segregated Accounts	25,082	0	25,082
Materials and Supplies Inventory	64,336	82,424	146,760
Accrued Interest Receivable	4,527	0	4,527
Accounts Receivable	112,371	671,367	783,738
Intergovernmental Receivable	1,138,071	27,177	1,165,248
Prepaid Items	24,608	11,172	35,780
Taxes Receivable	2,421,045	0	2,421,045
Internal Balances	(36,189)	36,189	0
Nondepreciable Capital Assets	2,643,104	1,818,792	4,461,896
Depreciable Capital Assets, Net	17,062,840	18,619,837	35,682,677
<i>Total Assets</i>	<u>39,992,235</u>	<u>23,631,245</u>	<u>63,623,480</u>
Liabilities			
Accounts Payable	33,411	24,589	58,000
Contracts Payable	184,299	262,951	447,250
Accrued Wages	223,519	54,380	277,899
Intergovernmental Payable	306,594	105,591	412,185
Matured Compensated Absences Payable	58,199	791	58,990
Deferred Revenue	1,155,240	0	1,155,240
Claims Payable	170,233	0	170,233
Accrued Interest Payable	0	48,462	48,462
Notes Payable	0	1,250,000	1,250,000
Long-Term Liabilities:			
Due Within One Year	499,469	145,339	644,808
Due In More Than One Year	3,050,499	1,037,217	4,087,716
<i>Total Liabilities</i>	<u>5,681,463</u>	<u>2,929,320</u>	<u>8,610,783</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	19,705,944	18,341,581	38,047,525
Restricted for:			
Capital Projects	2,709,155	0	2,709,155
Other Purposes	470,757	0	470,757
Unrestricted	11,424,916	2,360,344	13,785,260
<i>Total Net Assets</i>	<u>\$34,310,772</u>	<u>\$20,701,925</u>	<u>\$55,012,697</u>

See accompanying notes to the basic financial statements

City of North Canton, Ohio
Statement of Activities
For the Year Ended December 31, 2002

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities				
General Government	\$2,186,090	\$234,426	\$15,000	\$0
Security of Persons and Property				
Police	2,729,059	9,632	32,497	
Fire	544,630	0	1,300	0
Public Health and Welfare	1,073,559	113,046	4,200	0
Transportation	2,711,933	0	384,861	
Community Environment	297,363	101,617	0	0
Leisure Time Activities	1,004,002	327,248	6,889	0
Basic Utility Services	110,410	0	0	0
Total Governmental Activities	10,657,046	785,969	444,747	0
Business-Type Activities				
Water Revenue Fund	3,205,456	3,872,276	0	396,322
Sewer Revenue Fund	1,825,042	1,646,419	0	55,432
Garbage Service Fund	634,401	543,940	72,734	0
Total Business-Type Activities	5,664,899	6,062,635	72,734	451,754
Totals	\$16,321,945	\$6,848,604	\$517,481	\$451,754

General Revenues
Property Taxes Levied for:
 General Purposes
 Special Revenue Purposes
Municipal Income Taxes Levied for
 General Purposes
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
- See Note 3

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activity	Total
(\$1,936,664)	\$0	(\$1,936,664)
(2,686,930)	0	(2,686,930)
(543,330)	0	(543,330)
(956,313)	0	(956,313)
(2,327,072)	0	(2,327,072)
(195,746)	0	(195,746)
(669,865)	0	(669,865)
(110,410)	0	(110,410)
<u>(9,426,330)</u>	<u>0</u>	<u>(9,426,330)</u>
0	1,063,142	1,063,142
0	(123,191)	(123,191)
0	(17,727)	(17,727)
<u>0</u>	<u>922,224</u>	<u>922,224</u>
<u>(9,426,330)</u>	<u>922,224</u>	<u>(8,504,106)</u>
700,039	0	700,039
466,018	0	466,018
5,918,556	0	5,918,556
2,142,714	0	2,142,714
510,963	9,282	520,245
0	500	500
76,875	58,118	134,993
<u>9,815,165</u>	<u>67,900</u>	<u>9,883,065</u>
388,835	990,124	1,378,959
<u>33,921,937</u>	<u>19,711,801</u>	<u>53,633,738</u>
<u>\$34,310,772</u>	<u>\$20,701,925</u>	<u>\$55,012,697</u>

City of North Canton, Ohio

Balance Sheet

Governmental Funds

December 31, 2002

	<u>General</u>	<u>Emergency Medical Services Levy</u>	<u>Capital Improvements</u>
Assets			
Equity in Pooled Cash and			
Cash Equivalents	\$12,768,490	\$158,467	\$2,882,250
Cash and Cash Equivalents in Segregated Accounts	0	0	0
Property Taxes Receivable	709,157	169,567	0
Income Taxes Receivable	1,248,999	0	0
Accounts Receivable	0	112,371	0
Intergovernmental Receivable	873,305	21,234	0
Accrued Interest Receivable	4,527	0	0
Materials and Supplies Inventory	14,147	2,635	0
Prepaid Items	14,316	2,245	0
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$15,632,941</u>	<u>\$466,519</u>	<u>\$2,882,250</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$14,010	\$1,653	\$15,556
Contracts Payable	0	0	157,539
Accrued Wages	137,102	26,462	0
Intergovernmental Payable	60,156	27,181	0
Matured Compensated Absences Payable	0	58,199	0
Deferred Revenue	1,528,443	190,801	0
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	<u>1,739,711</u>	<u>304,296</u>	<u>173,095</u>
 Fund Balances			
Reserved for Encumbrances	20,655	213	317,664
Unreserved:			
Undesignated, Reported in:			
General Fund	13,872,575	0	0
Special Revenue Funds	0	162,010	0
Capital Projects Funds	0	0	2,391,491
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>13,893,230</u>	<u>162,223</u>	<u>2,709,155</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$15,632,941</u>	<u>\$466,519</u>	<u>\$2,882,250</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, 2002*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$17,151,080
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
		Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	19,705,944
\$393,490	\$16,202,697	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:	
25,082	25,082	Delinquent Property Taxes	16,806
293,322	1,172,046	Intergovernmental	754,125
0	1,248,999	Municipal Income Taxes	299,047
0	112,371		
243,532	1,138,071	Total	1,069,978
0	4,527	Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(189,507)
47,554	64,336	Long-term liabilities, including compensated absences and settlement agreement payable, are not due and payable in the current period and therefore are not reported in the funds:	
8,047	24,608	Compensated Absences	(1,076,506)
		Settlement Agreement Payable	(2,473,462)
\$1,011,027	\$19,992,737	Total	(3,549,968)
		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.	159,434
\$2,116	\$33,335	An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.	(36,189)
26,760	184,299		
59,955	223,519	<i>Net Assets of Governmental Activities</i>	\$34,310,772
29,750	117,087		
0	58,199		
505,974	2,225,218		
624,555	2,841,657		
3,076	341,608		
0	13,872,575		
383,396	545,406		
0	2,391,491		
386,472	17,151,080		
\$1,011,027	\$19,992,737		

City of North Canton, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2002

	General	Emergency Medical Services Levy	Capital Improvements
Revenues			
Property and Other Taxes	\$702,031	\$170,218	\$0
Municipal Income Taxes	5,874,489	0	0
Charges for Services	327,248	0	0
Licenses and Permits	101,617	0	0
Fines and Forfeitures	93,262	0	0
Intergovernmental	2,017,078	24,133	0
Interest	510,963	0	0
Contributions and Donations	15,000	0	0
Ambulance Fees	0	113,046	0
Other	46,734	9,352	0
<i>Total Revenues</i>	<u>9,688,422</u>	<u>316,749</u>	<u>0</u>
Expenditures			
Current:			
General Government	1,719,736	0	0
Security of Persons and Property:			
Police	2,515,910	0	0
Fire	0	0	0
Public Health and Welfare	74,173	997,664	0
Transportation	0	0	0
Community Environment	277,441	0	0
Leisure Time Activities	871,033	0	0
Basic Utility Services	0	0	0
Settlement Agreement	359,336	0	0
Capital Outlay	0	0	2,202,853
<i>Total Expenditures</i>	<u>5,817,629</u>	<u>997,664</u>	<u>2,202,853</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,870,793</u>	<u>(680,915)</u>	<u>(2,202,853)</u>
Other Financing Sources (Uses)			
Transfers In	0	550,000	2,700,000
Transfers Out	(4,100,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(4,100,000)</u>	<u>550,000</u>	<u>2,700,000</u>
<i>Net Change in Fund Balances</i>	(229,207)	(130,915)	497,147
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>14,122,437</u>	<u>293,138</u>	<u>2,212,008</u>
<i>Fund Balances End of Year</i>	<u>\$13,893,230</u>	<u>\$162,223</u>	<u>\$2,709,155</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, 2002*

Other Governmental Funds	Total Governmental Funds
\$298,253	\$1,170,502
0	5,874,489
0	327,248
0	101,617
150,796	244,058
445,457	2,486,668
0	510,963
0	15,000
0	113,046
20,789	76,875
915,295	10,920,466
142,098	1,861,834
6,058	2,521,968
494,655	494,655
0	1,071,837
1,094,539	1,094,539
0	277,441
0	871,033
150,837	150,837
0	359,336
0	2,202,853
1,888,187	10,906,333
(972,892)	14,133
850,000	4,100,000
0	(4,100,000)
850,000	0
(122,892)	14,133
509,364	17,136,947
\$386,472	\$17,151,080

Net Change in Fund Balances - Total Governmental Funds	\$14,133
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital Asset Additions	1,662,802
Current Year Depreciation	<u>(1,448,611)</u>
	214,191
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(95,005)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	(4,445)
Grants	85,793
Municipal Income Taxes	<u>(44,451)</u>
Total	36,897
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	447,854
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated Absences	(27,989)
Pension Obligation	<u>(189,507)</u>
Total	(217,496)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	<u>(11,739)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$388,835</u></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, 2002*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Taxes	\$695,280	\$695,280	\$702,031	\$6,751
Municipal Income Taxes	5,200,000	5,200,000	5,922,670	722,670
Charges for Services	293,000	293,000	327,248	34,248
Licenses and Permits	116,000	116,000	101,617	(14,383)
Fines and Forfeitures	77,000	77,000	93,262	16,262
Intergovernmental	1,006,260	1,006,260	2,002,286	996,026
Interest	650,000	650,000	572,469	(77,531)
Contributions and Donations	0	0	15,000	15,000
Other	1,000	1,000	46,734	45,734
<i>Total Revenues</i>	<u>8,038,540</u>	<u>8,038,540</u>	<u>9,783,317</u>	<u>1,744,777</u>
Expenditures				
Current:				
General Government	2,572,644	2,567,038	2,114,742	452,296
Security of Persons and Property:				
Police	2,674,062	2,683,112	2,616,170	66,942
Public Health and Welfare	74,000	74,173	74,173	0
Community Environment	341,762	321,662	283,839	37,823
Leisure Time Activities	942,123	956,387	887,508	68,879
<i>Total Expenditures</i>	<u>6,604,591</u>	<u>6,602,372</u>	<u>5,976,432</u>	<u>625,940</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,433,949</u>	<u>1,436,168</u>	<u>3,806,885</u>	<u>2,370,717</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	74,650	74,650
Transfers Out	(4,100,000)	(4,100,000)	(4,100,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(4,100,000)</u>	<u>(4,100,000)</u>	<u>(4,025,350)</u>	<u>74,650</u>
<i>Net Change in Fund Balance</i>	(2,666,051)	(2,663,832)	(218,465)	2,445,367
<i>Fund Balance Beginning of Year</i>	12,796,288	12,796,288	12,796,288	0
Prior Year Encumbrances Appropriated	34,639	34,639	34,639	0
<i>Fund Balance End of Year</i>	<u>\$10,164,876</u>	<u>\$10,167,095</u>	<u>\$12,612,462</u>	<u>\$2,445,367</u>

See accompanying notes to the basic financial statements

City of North Canton, Ohio
*Statement 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, 2002*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Taxes	\$166,876	\$166,876	\$170,218	\$3,342
Intergovernmental	19,500	19,500	24,133	4,633
Ambulance Fees	75,000	75,000	87,795	12,795
Other	0	0	9,352	9,352
<i>Total Revenues</i>	261,376	261,376	291,498	30,122
Expenditures				
Current:				
Public Health and Welfare	1,031,594	1,031,176	938,555	92,621
<i>Excess of Revenues Over Expenditures</i>	(770,218)	(769,800)	(647,057)	122,743
Other Financing Sources				
Transfers In	550,000	550,000	550,000	0
<i>Net Change in Fund Balance</i>	(220,218)	(219,800)	(97,057)	122,743
<i>Fund Balance Beginning of Year</i>	253,936	253,936	253,936	0
Prior Year Encumbrances Appropriated	1,094	1,094	1,094	0
<i>Fund Balance End of Year</i>	\$34,812	\$35,230	\$157,973	\$122,743

See accompanying notes to the basic financial statements

City of North Canton, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2002

	Business-Type Activities - Enterprise		
	Water Revenue	Sewer Revenue	Garbage Service
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$838,078	\$1,397,240	\$128,969
Accounts Receivable	528,982	137,962	4,423
Intergovernmental Receivable	0	0	27,177
Materials and Supplies Inventory	82,424	0	0
Prepaid Items	9,445	1,727	0
<i>Total Current Assets</i>	<u>1,458,929</u>	<u>1,536,929</u>	<u>160,569</u>
<i>Noncurrent Assets:</i>			
Nondepreciable Capital Assets	1,818,792	0	0
Depreciable Capital Assets, Net	13,866,773	4,753,064	0
<i>Total Noncurrent Assets</i>	<u>15,685,565</u>	<u>4,753,064</u>	<u>0</u>
<i>Total Assets</i>	<u>17,144,494</u>	<u>6,289,993</u>	<u>160,569</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	20,302	209	4,078
Contract Payable	262,951	0	0
Accrued Wages and Benefits	41,799	8,600	3,981
Compensated Absences Payable	41,337	22,587	0
Matured Compensated Absences Payable	791	0	0
Intergovernmental Payable	17,772	87,164	655
Accrued Interest Payable	48,462	0	0
Notes Payable	1,250,000	0	0
OWDA Loan Payable	81,415	0	0
Claims Payable	0	0	0
<i>Total Current Liabilities</i>	<u>1,764,829</u>	<u>118,560</u>	<u>8,714</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences	243,920	27,664	0
OWDA Loan Payable	765,633	0	0
<i>Total Long-Term Liabilities</i>	<u>1,009,553</u>	<u>27,664</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,774,382</u>	<u>146,224</u>	<u>8,714</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	13,588,517	4,753,064	0
Unrestricted	781,595	1,390,705	151,855
<i>Total Net Assets</i>	<u>\$14,370,112</u>	<u>\$6,143,769</u>	<u>\$151,855</u>

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

Net assets of business-type activities

See accompanying notes to the basic financial statements

Funds		Governmental Activities - Internal Service Fund
Total		
\$2,364,287		\$329,743
671,367		0
27,177		0
82,424		0
11,172		0
<u>3,156,427</u>		<u>329,743</u>
1,818,792		0
<u>18,619,837</u>		<u>0</u>
<u>20,438,629</u>		<u>0</u>
<u>23,595,056</u>		<u>329,743</u>
24,589		76
262,951		0
54,380		0
63,924		0
791		0
105,591		0
48,462		0
1,250,000		0
81,415		0
0		170,233
<u>1,892,103</u>		<u>170,309</u>
271,584		0
<u>765,633</u>		<u>0</u>
<u>1,037,217</u>		<u>0</u>
<u>2,929,320</u>		<u>170,309</u>
18,341,581		0
<u>2,324,155</u>		<u>159,434</u>
20,665,736		<u>\$159,434</u>
<u>36,189</u>		
<u>\$20,701,925</u>		

City of North Canton, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2002*

	Business-Type Activities - Enterprise		
	Water Revenue	Sewer Revenue	Garbage Service
Operating Revenues			
Charges for Services	\$3,789,261	\$1,581,688	\$543,940
Tap in Fees	83,015	64,731	0
Other	56,432	1,686	0
<i>Total Operating Revenues</i>	<u>3,928,708</u>	<u>1,648,105</u>	<u>543,940</u>
Operating Expenses			
Personal Services	1,284,689	339,999	43,921
Contractual Services	789,601	1,155,855	586,761
Materials and Supplies	338,507	12,576	1,748
Depreciation	729,556	312,225	0
Other	5,897	1,302	1,971
Claims	0	0	0
<i>Total Operating Expenses</i>	<u>3,148,250</u>	<u>1,821,957</u>	<u>634,401</u>
<i>Operating Income (Loss)</i>	<u>780,458</u>	<u>(173,852)</u>	<u>(90,461)</u>
Non-Operating Revenues (Expenses)			
Operating Grants	0	0	72,734
Interest and Fiscal Charges	(48,332)	0	0
Gain from Sale of Capital Assets	500	0	0
Loss on Disposal of Capital Asses	(6,010)	(2,502)	0
Interest	9,282	0	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(44,560)</u>	<u>(2,502)</u>	<u>72,734</u>
<i>Income (Loss) Before Contributions</i>	735,898	(176,354)	(17,727)
Capital Contributions	396,322	55,432	0
<i>Change in Net Assets</i>	1,132,220	(120,922)	(17,727)
<i>Net Assets Beginning of Year</i>	13,237,892	6,264,691	169,582
<i>Net Assets End of Year</i>	<u>\$14,370,112</u>	<u>\$6,143,769</u>	<u>\$151,855</u>

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

Change in net assets of business-type activities

See accompanying notes to the basic financial statements

<u>Funds</u>	Governmental Activities - Internal Service Fund
Total	
\$5,914,889	\$1,047,854
147,746	0
58,118	2,331
<u>6,120,753</u>	<u>1,050,185</u>
1,668,609	0
2,532,217	176,397
352,831	0
1,041,781	0
9,170	0
0	888,974
<u>5,604,608</u>	<u>1,065,371</u>
<u>516,145</u>	<u>(15,186)</u>
72,734	0
(48,332)	0
500	0
(8,512)	0
9,282	0
<u>25,672</u>	<u>0</u>
541,817	(15,186)
<u>451,754</u>	<u>0</u>
993,571	(15,186)
	<u>174,620</u>
	<u>\$159,434</u>
<u>(3,447)</u>	
<u>\$990,124</u>	

City of North Canton, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2002

	Business-	
	Water Revenue	Sewer Revenue
Increase (Decreases) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$3,798,361	\$1,647,722
Cash Received from Interfund Services	0	0
Cash Received from Other Operating Sources	56,432	1,686
Cash Payments to Suppliers for Goods and Services	(931,546)	(797,962)
Cash Payments to Employees for Services and Benefits	(1,349,357)	(344,358)
Cash Payments for Claims	0	0
Cash Payments for Other Operating Expenses	(5,897)	(1,302)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,567,993</u>	<u>505,786</u>
Cash Flows from Noncapital Financing Activities		
Operating Grants Received	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Notes	1,250,000	0
Proceeds from Sale of Capital Assets	500	0
Payments for Capital Acquisitions	(2,190,437)	(362,271)
Principal Payments	(1,378,887)	0
Interest Payments	(104,781)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,423,605)</u>	<u>(362,271)</u>
Cash Flows from Investing Activities		
Interest on Investments	<u>9,282</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(846,330)	143,515
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,684,408</u>	<u>1,253,725</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$838,078</u></u>	<u><u>\$1,397,240</u></u>

<u>Type Activities - Enterprise Funds</u>		<u>Governmental Activities - Internal Service Fund</u>
<u>Garbage Service</u>	<u>Totals</u>	
\$543,751	\$5,989,834	\$0
0	0	1,047,854
	58,118	2,331
(584,261)	(2,313,769)	(176,321)
(43,498)	(1,737,213)	0
0	0	(796,089)
<u>(1,971)</u>	<u>(9,170)</u>	<u>0</u>
<u>(85,979)</u>	<u>1,987,800</u>	<u>77,775</u>
<u>45,557</u>	<u>45,557</u>	<u>0</u>
0	1,250,000	0
0	500	0
0	(2,552,708)	0
0	(1,378,887)	0
<u>0</u>	<u>(104,781)</u>	<u>0</u>
<u>0</u>	<u>(2,785,876)</u>	<u>0</u>
<u>0</u>	<u>9,282</u>	<u>0</u>
(40,422)	(743,237)	77,775
<u>169,391</u>	<u>3,107,524</u>	<u>251,968</u>
<u>\$128,969</u>	<u>\$2,364,287</u>	<u>\$329,743</u>

(continued)

City of North Canton, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2002

	Business-	
	Water Revenue	Sewer Revenue
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
<i>Operating Income (Loss)</i>	\$780,458	(\$173,852)
<i>Adjustments:</i>		
Depreciation	729,556	312,225
(Increase)Decrease in Assets:		
Accounts Receivable	(73,916)	1,303
Prepays	(7,432)	324,490
Materials and Supplies Inventory	(13,797)	0
Increase (Decrease) in Liabilities:		
Accounts Payable	12,692	45,979
Contracts Payable	205,099	0
Accrued Wages and Benefits	(356,163)	(58,425)
Matured Compensated Absences Payable	(11,533)	0
Compensated Absences Payable	285,257	50,251
Intergovernmental Payable	17,772	3,815
Claims Payable	0	0
<i>Total Adjustments</i>	787,535	679,638
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$1,567,993	\$505,786

Noncash Capital Financing Activities

During 2002, capital assets were donated by developers to the water revenue and sewer revenue funds in the amounts of \$396,322 and \$55,432 respectively.

See accompanying notes to the basic financial statements

<u>Type Activities - Enterprise Funds</u>		<u>Governmental Activities - Internal Service Fund</u>
<u>Garbage Service</u>	<u>Totals</u>	
<u>(\$90,461)</u>	<u>\$516,145</u>	<u>(\$15,186)</u>
0	1,041,781	0
(189)	(72,802)	0
0	317,058	0
0	(13,797)	0
267	58,938	76
0	205,099	
3,749	(410,839)	0
0	(11,533)	0
0	335,508	0
655	22,242	0
<u>0</u>	<u>0</u>	<u>92,885</u>
<u>4,482</u>	<u>1,471,655</u>	<u>92,961</u>
<u>(\$85,979)</u>	<u>\$1,987,800</u>	<u>\$77,775</u>

City of North Canton
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2002

Assets

Cash and Cash Equivalents in Segregated Accounts	<u><u>\$66,082</u></u>
--	------------------------

Liabilities

Deposits Held and Due to Others	<u><u>\$66,082</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, 2002

Note 1 – Description of the City and Reporting Entity

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

Reporting Entity

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

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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

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

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

B. Fund Accounting

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

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

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

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.

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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

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

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

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

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

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

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

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

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which 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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 2002, investments were limited to STAROhio, U.S. Government Agency Obligations, U.S. Treasury Obligations accounts and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2002.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2002 amounted to \$510,963, which includes \$351,068 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, 2002, 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.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$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
Equipment	10-15 years	3-15 years
Infrastructure	30-50 years	40 years

The City's infrastructure consists of a street subsystem, a storm sewers subsystem, a bridge subsystem, and water and sewer lines.

I. Interfund Balances

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

J. Compensated Absences

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

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

On governmental funds financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have resigned or retired will be paid.

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

L. Fund Balance Reserve

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

M. Net Assets

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

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

N. Operating Revenues and Expenses

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

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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. 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. The Finance Director with approval from Council has been authorized to allocate appropriations to the department and object level within each fund. Budgetary statements are presented beyond that legal level of control for information purposes only.

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

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

Note 3 - Changes in Accounting Principles and Restatement of Fund Balance

Changes in Accounting Principles For 2002, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures" and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City's programs between governmental and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2001, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Restatement of Fund Balance The new standards for reporting fund obligations for compensated absences in Interpretation 6 caused changes in previously reported fund balances as did fund reclassifications based on the new guidance provided in Statement No. 34. The City overstated the liability for the settlement agreement payable in the funds. The City also needed to properly distribute income tax revenue already received by the City. These restatements had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	General	Emergency Medical Services Levy	Capital Improvement	Nonmajor	Total
Fund Balances, December 31, 2001	\$7,780,001	\$291,413	\$7,212,008	\$1,481,949	\$16,765,371
Restatements:					
Fund Reclassifications	974,517	0	0	(974,555)	(38)
Overstatement of Settlement Agreement Payable	359,336	0	0	0	359,336
Overstatement of Due To/Due From Other Funds	5,000,000	0	(5,000,000)	0	0
Interpretation 6:					
Compensated Absences Payable	8,583	1,725	0	1,970	12,278
Restated Fund Balances, December 31, 2001	<u>\$14,122,437</u>	<u>\$293,138</u>	<u>\$2,212,008</u>	<u>\$509,364</u>	17,136,947
GASB 34 Adjustments:					
Capital Assets					19,586,758
Internal Service Fund					174,620
Internal Service Balance					(39,636)
Long-Term (Deferred) Assets					1,033,081
Long-Term Liabilities:					
Settlement Agreement Payable					(2,921,316)
Compensated Absences Payable					<u>(1,048,517)</u>
Governmental Activities Net Assets, December 31, 2001					<u>\$33,921,937</u>

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

The beginning net assets amount for the business-type activities matches previously reported fund equity of the enterprise fund except it has been increased by \$39,636 from \$19,672,165 to \$19,711,801 due to the allocation of the internal service fund balance.

	Water Revenue	Sewer Revenue	Garbage Service	Business- Type Activities
Fund Equity, December 31, 2001	\$13,237,892	\$6,264,691	\$169,582	\$19,672,165
Internal Service Fund	32,936	6,700	0	39,636
Adjusted Net Assets, December 31, 2001	<u>\$13,270,828</u>	<u>\$6,271,391</u>	<u>\$169,582</u>	<u>\$19,711,801</u>

Note 4 - 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 emergency medical services levy 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).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and the emergency medical services levy funds.

	Net Change in Fund Balance	
	General and Major Special Revenue Funds	
	General	Emergency Medical Services Levy
GAAP Basis	(\$229,207)	(\$130,915)
Adjustment for Revenue Accruals	169,545	(25,251)
Adjustment for Expenditure Accruals	(132,265)	59,603
Adjustment for Encumbrances	(26,538)	(494)
Budget Basis	<u>(\$218,465)</u>	<u>(\$97,057)</u>

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 5 - Deposits and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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

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

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

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

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

Deposits. At year-end, the carrying amount of the City's deposits was \$5,774,241 and the bank balance was \$6,193,274. \$132,341 of the bank balance was covered by federal depository insurance. \$6,060,933 was uninsured and uncollateralized.

Investments. The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio and U.S. Treasury Obligations are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 2	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$0	\$0	\$55,000	\$55,000	\$55,000
U.S. Government Agency Obligations	1,537,889	5,106,469	0	6,773,848	6,773,848
U.S. Treasury Obligations				214,802	214,802
STAROhio				6,170,000	6,170,000
Total	\$1,537,889	\$5,106,469	\$55,000	\$13,213,650	\$13,213,650

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

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$18,987,891	\$0
Repurchase Agreements	(55,000)	55,000
US Government Agency Obligations	(6,773,848)	6,773,848
U.S. Treasury Obligations	(214,802)	214,802
STAROhio	(6,170,000)	6,170,000
GASB Statement 3	\$5,774,241	\$13,213,650

Note 6 - Receivables

Receivables at December 31, 2002, consisted primarily of municipal income taxes, property and other taxes, accounts, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) are for 2002 taxes.

2002 real property taxes are levied after October 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

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. 2002 public utility property taxes which became a lien December 31, 2001, are levied after October 1, 2002, and collected in 2003 real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001 on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

The tax rate for all City operations for the year ended December 31, 2002, was \$5.90 per 1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property	\$295,860,000
Tangible Personal Property	32,029,000
Public Utility	10,192,000
Total Valuation	\$338,081,000

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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, 2002 and for which there is an enforceable legal claim. In the general, fire operating levy, EMS levy, storm sewer and street levy funds the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2002 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Municipal Income Taxes

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

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

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities	
Estate Tax	\$407,483
Local Government State Support	371,858
Homestead and Rollback	93,134
Grants	830
Fire Operating Levy	11,711
Emergency Medical Service Levy	21,234
Enforcement and Education	250
Street Construction Maintenance and Repair	208,777
Storm Sewer Levy	11,397
Street Improvement Levy	11,397
	<hr/>
Total	<u>\$1,138,071</u>

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 7 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2002, the City contracted with Clarendon National Insurance for general liability, automobile, crime, equipment, fire, errors and omissions and police and professional liability. Clarendon National Insurance also covers buildings and contents and boiler and machinery; while Hartford Life and Accident covers emergency medical service and fire accidental disability and death insurance. The City also purchases umbrella coverage from Clarendon National Insurance with a general aggregate of \$5,000,000. Ohio Farmers insures performance bonds for all necessary officials and employees.

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

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

The City has elected to provide employee medical/surgical benefits through a self-insured program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical/surgical plan with a \$100 single and \$300 family deductible. The City uses a third party administrator to review, process and pay all claims, on behalf of the City.

The City purchases stop-loss coverage for claims in excess of \$40,000 per employee per year and an aggregate of \$1,000,000. The City pays into the self-insurance internal service fund \$612 for family coverage or \$235 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 \$170,233 reported in the Internal Service fund at December 31, 2002 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 2001 and 2002 are:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2001	\$84,266	\$810,333	\$817,251	\$77,348
2002	77,348	888,974	796,089	170,233

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 8 – Capital Assets

Capital asset activity for the year ended December 31, 2002, was as follows:

	Adjusted Balance 12/31/2001	Additions	Deductions	Balance 12/31/2002
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$2,468,612	\$160,241	\$0	\$2,628,853
Construction in Progress	0	14,251	0	14,251
<i>Total Capital Assets, not being depreciated</i>	<u>2,468,612</u>	<u>174,492</u>	<u>0</u>	<u>2,643,104</u>
<i>Capital Assets, being depreciated</i>				
Buildings	4,735,991	0	0	4,735,991
Equipment	5,174,097	633,931	(212,355)	5,595,673
Infrastructure				
Streets Subsystem	14,226,840	664,400	0	14,891,240
Storm Sewers Subsystem	6,344,528	189,979	(15,625)	6,518,882
Bridge Subsystem	203,000	0	0	203,000
<i>Total Capital Assets, being depreciated</i>	<u>30,684,456</u>	<u>1,488,310</u>	<u>(227,980)</u>	<u>31,944,786</u>
Less Accumulated Depreciation:				
Buildings	(2,805,453)	(160,376)	0	(2,965,829)
Equipment	(3,401,503)	(415,033)	120,777	(3,695,759)
Infrastructure				
Streets Subsystem	(5,007,379)	(726,887)	0	(5,734,266)
Storm Sewers Subsystem	(2,256,408)	(140,573)	12,198	(2,384,783)
Bridge Subsystem	(95,567)	(5,742)	0	(101,309)
<i>Total Accumulated Depreciation</i>	<u>(13,566,310)</u>	<u>(1,448,611) *</u>	<u>132,975</u>	<u>(14,881,946)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>17,118,146</u>	<u>39,699</u>	<u>(95,005)</u>	<u>17,062,840</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$19,586,758</u>	<u>\$214,191</u>	<u>(\$95,005)</u>	<u>\$19,705,944</u>

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

	Adjusted Balance 12/31/2001	Additions	Deductions	Balance 12/31/2002
Business-Type Activities				
Capital Assets, not being depreciated				
Land	\$602,367	\$0	\$0	\$602,367
Construction in Progress	821,114	395,311	0	1,216,425
<i>Total Capital Assets, not being depreciated</i>	<u>1,423,481</u>	<u>395,311</u>	<u>0</u>	<u>1,818,792</u>
<i>Capital Assets, being depreciated</i>				
Buildings	6,208,893	224,028	0	6,432,921
Equipment	1,333,263	249,084	(45,776)	1,536,571
Infrastructure				
Water Lines	13,986,418	1,728,404	(34,206)	15,680,616
Sewer Lines	8,979,998	407,635	(25,234)	9,362,399
<i>Total Capital Assets, being depreciated</i>	<u>30,508,572</u>	<u>2,609,151</u>	<u>(105,216)</u>	<u>33,012,507</u>
Less Accumulated Depreciation:				
Buildings	(3,372,079)	(181,316)	0	(3,553,395)
Equipment	(614,630)	(136,551)	40,163	(711,018)
Infrastructure				
Water Lines	(4,873,842)	(456,638)	33,809	(5,296,671)
Sewer Lines	(4,587,042)	(267,276)	22,732	(4,831,586)
<i>Total Accumulated Depreciation</i>	<u>(13,447,593)</u>	<u>(1,041,781)</u>	<u>96,704</u>	<u>(14,392,670)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>17,060,979</u>	<u>1,567,370</u>	<u>(8,512)</u>	<u>18,619,837</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$18,484,460</u>	<u>\$1,962,681</u>	<u>(\$8,512)</u>	<u>\$20,438,629</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$59,567
Security of Persons and Property	
Police	149,569
Fire	97,387
Public Health and Welfare	60,588
Transportation	803,951
Community and Environment	4,195
Leisure Time Activities	127,229
Basic Utility Services	146,125
Total Depreciation Expense	<u>\$1,448,611</u>

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for City was 8.55 percent of covered payroll, reduced from 9.25 percent in 2001. Contributions are authorized by State statute. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$634,291, \$586,156 and \$444,525, respectively. The full amount has been contributed for 2001 and 2000. 74.18 percent has been contributed for 2002 with the balance outstanding reflected as an intergovernmental payable.

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 public employee retirement system administered by the OP&F's Board of Trustees. 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. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police. For 2001, the City contributions were 12 percent for police. Contributions are authorized by State statute. The City's contributions to the OP&F for police was \$257,608 for the year ended December 31, 2002, \$252,337 for the year ended December 31, 2001 and \$239,931, for the year ended December 31, 2000. The full amount has been contributed for 2001 and 2000. 72.27 percent has been contributed for 2002 with the balance outstanding reflected as an intergovernmental payable.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

The number of active contributing participants was 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$234,056. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

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 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 Ohio Police and Fire Pension Fund 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 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 2002. For 2001 the percent used to fund healthcare was 7.50 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2002 that were used to fund postemployment benefits were \$102,383 for police. OP&F's total health care expenses for the year ended December 31, 2001, (the latest information available) were \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 11 – Other Postemployment Benefits

A. Compensated Absences

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

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

Sick leave is earned for all full time employees at the rate of 10 hours per month with the exception of full time employees of emergency medical services who receive 13.3 hours per month. Employees, at the time of retirement are paid for 50 percent of their accumulated sick leave.

B. Life Insurance

The City of North Canton provides a \$3,000 life insurance benefit for retired employees. Substantially all of the City's full time employees may become eligible for this benefit if they reach normal retirement age, or become eligible for total disability benefits while working for the City. The cost of retirees' life insurance is recognized as an expenditure when the insurance premiums are paid. For 2002, the cost totaled \$495.

Note 12 - Litigation

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

Note 13 - Note Payable

Changes in the City's note activity for the year ended December 31, 2002, were as follows:

	Balance 12/31/2001	Issued	Retired	Balance 12/31/2002
Water System Improvement Note	\$1,300,000	\$1,250,000	(\$1,300,000)	\$1,250,000

All notes were backed by the full faith and credit of the City and mature within one year. The note liability is 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. All proceeds from the note have been spent as of December 31, 2002.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 14 - Long-Term Obligation

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

	Balance 12/31/2001	Issued	Retired	Balance 12/31/2002	Amounts Due In One Year
Business-Type Activities					
OWDA Loans					
2000 \$1,300,000 6.41%					
Water Storage System	\$925,935	\$0	(\$78,887)	\$847,048	\$81,415
Other Long-Term Liabilities					
Compensated Absences	0	335,508	0	335,508	63,924
Total Business-Type Activities	<u>\$925,935</u>	<u>\$335,508</u>	<u>(\$78,887)</u>	<u>\$1,182,556</u>	<u>\$145,339</u>
Governmental Activities					
Long-Term Liabilities					
Compensated Absences	1,048,517	208,733	(180,744)	1,076,506	140,133
Settlement Agreement Payable	2,921,316	0	(447,854)	2,473,462	359,336
Total Governmental Activities	<u>\$3,969,833</u>	<u>\$208,733</u>	<u>(\$628,598)</u>	<u>\$3,549,968</u>	<u>\$499,469</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.

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 will be paid back to Maytag in three annual installments of \$359,336 beginning November 2001. The tax refund due as a result of amending the 1999 tax return, as well as the overpayment in estimated taxes for the 2000 and 2001 returns, amounted to \$2,114,126. This amount will be credited to future tax periods and any portion not fully utilized by the tax year 2003 will be refunded to Maytag. The settlement agreement payable will be paid out of the general fund.

The City's overall legal debt margin was \$35,498,505 at December 31, 2002. Principal and interest requirements to retire the outstanding debt at December 31, 2002, are as follows:

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Year	OWDA Loans		Settlement
	Principal	Interest	Agreement Payable
2003	\$81,415	\$52,973	\$359,336
2004	89,497	47,501	2,114,126
2005	95,326	41,672	0
2006	101,534	35,464	0
2007	108,146	28,852	0
2008-2010	371,130	42,430	0
Total	<u>\$847,048</u>	<u>\$248,892</u>	<u>\$2,473,462</u>

From time to time, the City has issued Industrial Revenue Bonds to provide assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from bonds; ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2002, there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$15,800,000.

Note 15 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2002:

Project	Contract Amount	Amount Paid	Remaining on Contract
Road Improvements	\$1,315,839	\$924,791	\$391,048
Waterline Improvements	1,642,779	1,541,791	100,988
Storm Sewer Improvements	24,900	0	24,900
Sanitary Sewer Improvements	314,199	112,728	201,471
Water Treatment Plant Improvements	784,000	99,700	684,300
Architectural Services	14,000	8,304	5,696
Testing Services	19,900	0	19,900
	<u>\$4,115,617</u>	<u>\$2,687,314</u>	<u>\$1,428,303</u>

Note 16 – Interfund Transfers

The general fund transferred \$2,700,000 of income tax revenue to the capital improvement fund. The remaining transfers are general operating transfers. The \$1,400,000 is made up of a \$310,000 transfer to the fire operating levy, a \$550,000 transfer to the emergency medical services levy fund and a \$540,000 transfer to the street construction maintenance and repair fund.

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Transfer To	Transfer From
	General
Major Funds	
Emergency Medical Services Levy Fund	\$550,000
Capital Improvements Fund	2,700,000
Total Major Funds	3,250,000
Nonmajor Funds	
Fire Operating Levy Fund	310,000
Street Construction, Maintenance and Repair Fund	540,000
Total Nonmajor Funds	850,000
Grand Total	\$4,100,000

Note 17 - Jointly Governed Organizations

A. Stark Council of Governments

The City participates in the Stark Council of Governments (the "Council") which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County and its municipalities and townships which direct the operations of the Stark County Metropolitan Narcotics Unit and the Stark County Crime Laboratory. Of the 27 members, the City has one appointed member. Each member's control over the operation of the Council is limited to its representation on the board. The board exercises total authority over the operation of the Council including budgeting, appropriation, contracting, and designating management. The City does not have an equity interest in the Council. The Council is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City did not contribute any funds to the Council in 2002. Complete financial statements can be obtained from the Stark Council of Governments, P.O. Box 21451 Canton, Ohio 44701-1451.

B. Stark County Combined General Health District

The City participates in the Stark County Combined General Health District (the "Health District") which is a statutorily created political subdivision of the State. The Health District is jointly governed by Stark County townships, villages, the City of Louisville, and the City of North Canton. Of the 7 board members, the City has one appointed member. The board is made up of various professionals who are equally representative of the general health district. The board exercises total authority over the operation of the Health District including budgeting, appropriation, contracting, and designating management. The City does not have an equity interest in the Health District. The Health District is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City contributed \$74,173 to the Health District in 2002. Complete financial statements can be obtained from the Stark County Combined General Health District, 3951 Convenience Circle NW, Canton, Ohio 44718.

Note 18 - Subsequent Event

In February 2003, the City issued \$875,000 in one-year Water System Improvement Notes, at a rate of 1.45 percent for the purpose of funding improvements to one of the City's water towers. Also, in March

City of North Canton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

2003, the City issued \$1,000,000 in Water System Improvement Notes, at a rate of 1.45 percent for the replacement of notes that matured in March 2003. The \$1,000,000 notes were dated to coincide with the maturity of the \$875,000 notes issued in February.

During 2002, the City applied for a construction loan through the Water Supply Revolving Loan Account which is administered by the Ohio EPA, for the purpose of funding the improvements and upgrades to the City's Water Treatment Plant. In January 2003, the City was notified that it had been awarded a loan through this program. The 3.65 percent loan is to be repaid over 20 years. The loan is estimated to be for \$7.3 million. The project is expected to be completed in 2004, with the loan repayments to begin in 2005.

In April 2003, City Council authorized the Mayor, through the Board of Control, to enter into a purchase agreement for the premises known as Arrowhead Country Club at a cost not to exceed \$4.2 million. This area, approximately 105 acres, is currently being operated as a golf course. The purchase price includes the cost of the land, clubhouse and pool, as well as all fixtures and equipment owned by Arrowhead. On July 10, 2003, the City completed the purchase of Arrowhead Country Club for \$4.2 million.

In May 2003, City Council began the process of annexing new land into the City by authorizing the Mayor, through the Board of Control, to enter into the City's first Cooperative Economic Development Agreement (CEDA) between the City, Stark County and the Plain Township Board of Trustees. The land to be annexed is approximately 107 acres and is currently located in Plain Township. This land is intended to be developed for residential and multi-family housing under the development name of "The Villages at the Sanctuary". This is just the first step in the annexation process under a CEDA.

Note 19 - Environmental Issues

In 2000, the City began developing a new well field located on the east side of the City. This well, known as Well #8, could have the potential to pump up to 3.0 million gallons per day. The construction of the well was completed in 2001 and EPA approval to use the well was obtained. In March 2001, the City entered into a contract to construct a raw waterline to connect the new Well #8 to the Water Treatment Plant. In June 2001, two separate monitoring wells surrounding Well #8, as well as some neighboring private wells, were found to be contaminated with high levels of pollutants. The Ohio EPA, in conjunction with other authorities, began a thorough investigation of the incident. Preliminary results indicated that the contamination was due to a recent dumping and that the ground water had not been affected. As a result of the contamination, City Administrators made the decision to halt the construction of the raw waterline. At that time, the waterline was approximately 30 percent complete. The completed portion of the waterline is being reported in the accompanying financial statements as Construction in Progress at a cost of \$355,921. In addition, the cost to construct Well #8 is also being reported as Construction in Progress at a cost of \$179,194. In March 2002, the EPA conducted final testing of the monitoring wells and found that the wells tested clean. In order to obtain EPA approval to use the well, the well will have to be tested on a regular basis over a one-year period. The City did not incur substantial costs in the environmental clean-up of this situation.

During 2002, the City began a site investigation of its Dressler Road well field after an assessment was completed in 2001 and approved by the EPA. The assessment and resulting investigation was due to accounts of dumping at this site in prior years. The site investigation led to the detection of PCB's (Polychlorinated Biphenyls) in one area of the well site, which were successfully removed. In May 2002, the investigation was completed, testing performed, and EPA approval granted to continue production from the well site. During 2002, the City spent approximately \$276,000 as a result of the site investigation and clean-up.

Combining Statements and Individual Fund Schedules

Combining Statements - Nonmajor Governmental Funds

All nonmajor governmental funds are special revenue funds.

Nonmajor Special Revenue Funds

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

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

Computer – 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 – 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.

Street Construction, Maintenance and Repair Fund - This fund accounts for the portion of state gasoline tax and motor vehicle registration fees designated for the maintenance of the streets within the City.

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

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

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

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

Mayor’s Court - This fund accounts for activity in the City’s Mayor’s Court. The operations of this fund are not budgeted.

City of North Canton, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2002

	Fire Operating Levy	Computer	Enforcement and Education	Street Construction Maintenance and Repair
Assets				
Equity in Pooled Cash and Cash Equivalents	\$103,576	\$19,704	\$9,929	\$104,424
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Receivables:				
Taxes	92,934	0	0	0
Intergovernmental Receivable	11,711	0	250	208,777
Materials and Supplies Inventory	0	0	0	47,554
Prepaid Items	3,782	0	0	3,739
<i>Total Assets</i>	<u>\$212,003</u>	<u>\$19,704</u>	<u>\$10,179</u>	<u>\$364,494</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$284	\$0	\$0	\$1,832
Contracts Payable	0	0	0	0
Accrued Wages	34,203	0	0	25,752
Intergovernmental Payable	20,880	0	0	8,870
Deferred Revenue	104,645	0	0	178,147
<i>Total Liabilities</i>	<u>160,012</u>	<u>0</u>	<u>0</u>	<u>214,601</u>
Fund Balances				
Reserved for Encumbrances	1,725	0	0	1,351
Unreserved, Undesignated	50,266	19,704	10,179	148,542
<i>Total Fund Balances</i>	<u>51,991</u>	<u>19,704</u>	<u>10,179</u>	<u>149,893</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$212,003</u>	<u>\$19,704</u>	<u>\$10,179</u>	<u>\$364,494</u>

Storm Sewer Levy	Street Levy	Municipal Road	General Trust	Mayor's Court	Total Nonmajor Governmental Funds
\$73,195	\$77,662	\$5,000	\$0	\$0	\$393,490
0	0	0	24,827	255	25,082
100,194	100,194	0	0	0	293,322
11,397	11,397	0	0	0	243,532
0	0	0	0	0	47,554
526	0	0	0	0	8,047
<u>\$185,312</u>	<u>\$189,253</u>	<u>\$5,000</u>	<u>\$24,827</u>	<u>\$255</u>	<u>\$1,011,027</u>
\$0	\$0	\$0	\$0	\$0	\$2,116
0	26,760	0	0	0	26,760
0	0	0	0	0	59,955
0	0	0	0	0	29,750
111,591	111,591	0	0	0	505,974
<u>111,591</u>	<u>138,351</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>624,555</u>
0	0	0	0	0	3,076
73,721	50,902	5,000	24,827	255	383,396
<u>73,721</u>	<u>50,902</u>	<u>5,000</u>	<u>24,827</u>	<u>255</u>	<u>386,472</u>
<u>\$185,312</u>	<u>\$189,253</u>	<u>\$5,000</u>	<u>\$24,827</u>	<u>\$255</u>	<u>\$1,011,027</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, 2002

	Fire Operating Levy	Computer	Enforcement and Education	Street Construction Maintenance and Repair
Revenues				
Property and Other Taxes	\$93,001	\$0	\$0	\$0
Fines and Forefeitures	0	10,265	2,152	0
Intergovernmental	12,344	0	0	412,295
Other	1,689	0	0	12,900
<i>Total Revenues</i>	<u>107,034</u>	<u>10,265</u>	<u>2,152</u>	<u>425,195</u>
Expenditures				
Current:				
General Government	0	3,712	0	0
Security of Persons and Property:				
Police	0	0	6,058	0
Fire	494,251	0	0	0
Transportation	0	0	0	989,396
Basic Utility Services	0	0	0	0
<i>Total Expenditures</i>	<u>494,251</u>	<u>3,712</u>	<u>6,058</u>	<u>989,396</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(387,217)	6,553	(3,906)	(564,201)
Other Financing Sources				
Transfers In	310,000	0	0	540,000
<i>Net Change in Fund Balances</i>	(77,217)	6,553	(3,906)	(24,201)
<i>Fund Balances Beginning of Year</i>	<u>129,208</u>	<u>13,151</u>	<u>14,085</u>	<u>174,094</u>
<i>Fund Balances End of Year</i>	<u><u>\$51,991</u></u>	<u><u>\$19,704</u></u>	<u><u>\$10,179</u></u>	<u><u>\$149,893</u></u>

Storm Sewer Levy	Street Levy	Municipal Road	General Trust	Mayor's Court	Total Nonmajor Governmental Funds
\$102,626	\$102,626	\$0	\$0	\$0	\$298,253
0	0	0	0	138,379	150,796
10,409	10,409	0	0	0	445,457
0	0	0	6,200	0	20,789
<u>113,035</u>	<u>113,035</u>	<u>0</u>	<u>6,200</u>	<u>138,379</u>	<u>915,295</u>
0	0	0	0	138,386	142,098
0	0	0	0	0	6,058
0	0	0	404	0	494,655
0	105,143	0	0	0	1,094,539
<u>150,837</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,837</u>
<u>150,837</u>	<u>105,143</u>	<u>0</u>	<u>404</u>	<u>138,386</u>	<u>1,888,187</u>
(37,802)	7,892	0	5,796	(7)	(972,892)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>850,000</u>
(37,802)	7,892	0	5,796	(7)	(122,892)
<u>111,523</u>	<u>43,010</u>	<u>5,000</u>	<u>19,031</u>	<u>262</u>	<u>509,364</u>
<u>\$73,721</u>	<u>\$50,902</u>	<u>\$5,000</u>	<u>\$24,827</u>	<u>\$255</u>	<u>\$386,472</u>

Agency Fund

Required Deposits Fund - This fund accounts for monies from planning, zoning, and street repairs put on deposit with the City in accordance with various City ordinances.

City of North Canton, Ohio
Statement of Changes in Assets and Liabilities
Agency Fund
December 31, 2002

	Beginning Balance 12/31/01	Additions	Deductions	Ending Balance 12/31/02
Required Deposits				
Assets				
Cash and Cash Equivalents In Segregated Accounts	\$68,510	\$124,197	\$126,625	\$66,082
Liabilities				
Deposits Held and Due to Others	\$68,510	\$124,197	\$126,625	\$66,082

**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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$695,280	\$695,280	\$702,031	\$6,751
Municipal Income Taxes	5,200,000	5,200,000	5,922,670	722,670
Charges for Services	293,000	293,000	327,248	34,248
Licenses and Permits	116,000	116,000	101,617	(14,383)
Fines and Forfeitures	77,000	77,000	93,262	16,262
Intergovernmental	1,006,260	1,006,260	2,002,286	996,026
Interest	650,000	650,000	572,469	(77,531)
Contributions and Donations	0	0	15,000	15,000
Other	1,000	1,000	46,734	45,734
<i>Total Revenues</i>	<u>8,038,540</u>	<u>8,038,540</u>	<u>9,783,317</u>	<u>1,744,777</u>
Expenditures				
Current:				
General Government:				
Mayor:				
Personal Services	81,200	81,200	79,066	2,134
Contractual Services	17,228	24,228	13,029	11,199
Materials and Supplies	2,090	2,023	857	1,166
Capital Outlay	3,100	3,100	1,707	1,393
Total Mayor	<u>103,618</u>	<u>110,551</u>	<u>94,659</u>	<u>15,892</u>
Director of Administration:				
Personal Services	171,500	172,500	165,669	6,831
Contractual Services	13,463	14,763	11,283	3,480
Materials and Supplies	2,852	2,852	1,956	896
Capital Outlay	4,534	4,534	4,041	493
Total Director of Administration	<u>192,349</u>	<u>194,649</u>	<u>182,949</u>	<u>11,700</u>
Director of Finance:				
Personal Services	168,700	168,900	158,844	10,056
Contractual Services	19,100	29,200	24,416	4,784
Materials and Supplies	5,710	5,153	3,422	1,731
Capital Outlay	4,600	4,600	3,552	1,048
Total Director of Finance	<u>198,110</u>	<u>207,853</u>	<u>190,234</u>	<u>17,619</u>
Electronic Data Processing:				
Contractual Services	19,500	22,000	16,364	5,636
Materials and Supplies	400	400	119	281
Capital Outlay	70,600	70,600	0	70,600
Total Electronic Data Processing	<u>90,500</u>	<u>93,000</u>	<u>16,483</u>	<u>76,517</u>
Director of Law:				
Personal Services	67,120	67,140	63,676	3,464
Contractual Services	50,891	50,521	27,388	23,133
Materials and Supplies	5,777	6,127	5,469	658
Capital Outlay	1,100	1,100	404	696
Total Director of Law	<u>\$124,888</u>	<u>\$124,888</u>	<u>\$96,937</u>	<u>\$27,951</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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
City Council:				
Personal Services	\$187,400	\$187,400	\$183,124	\$4,276
Contractual Services	27,100	27,100	16,594	10,506
Materials and Supplies	1,800	1,800	1,436	364
Capital Outlay	5,550	5,550	4,825	725
Total City Council	221,850	221,850	205,979	15,871
Civil Service Commission				
Personal Services	6,350	6,350	6,026	324
Contractual Services	11,200	14,700	11,414	3,286
Materials and Supplies	600	600	233	367
Total Civil Service Commissior	18,150	21,650	17,673	3,977
City Hall Maintenance:				
Personal Services	63,150	81,400	75,415	5,985
Contractual Services	97,150	126,030	117,886	8,144
Materials and Supplies	6,400	6,000	5,670	330
Capital Outlay	6,813	13,313	12,046	1,267
Total City Hall Maintenance	173,513	226,743	211,017	15,726
Department of Engineering:				
Personal Services	329,400	342,215	336,573	5,642
Contractual Services	47,400	48,800	32,167	16,633
Materials and Supplies	16,800	16,650	6,571	10,079
Capital Outlay	25,600	25,600	4,864	20,736
Total Department of Engineering	419,200	433,265	380,175	53,090
Income Tax Administration:				
Personal Services	195,900	195,900	180,192	15,708
Contractual Services	393,947	395,077	382,929	12,148
Materials and Supplies	10,335	10,251	6,930	3,321
Capital Outlay	3,100	3,100	145	2,955
Other	35,000	33,870	0	33,870
Total Income Tax Administration	638,282	638,198	570,196	68,002
Other General Government:				
Personal Services	80,000	45,300	30,174	15,126
Contractual Services	127,684	121,734	97,303	24,431
Capital Outlay	101,000	108,450	15,184	93,266
Other	83,500	18,907	5,779	13,128
Total Other General Government	392,184	294,391	148,440	145,951
Total General Government	\$2,572,644	\$2,567,038	\$2,114,742	\$452,296

(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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Security of Persons and Property:				
Police:				
Personal Services	\$2,290,003	\$2,294,903	\$2,294,903	\$0
Contractual Services	198,824	211,004	172,955	38,049
Materials and Supplies	64,100	59,900	49,491	10,409
Capital Outlay	121,135	117,305	98,821	18,484
Total Security of Persons and Property	<u>2,674,062</u>	<u>2,683,112</u>	<u>2,616,170</u>	<u>66,942</u>
Public Health and Welfare:				
County Health Department:				
Contractual Services	74,000	74,173	74,173	0
Community Environment:				
Licenses and Permits:				
Personal Services	245,700	245,700	243,840	1,860
Contractual Services	38,862	39,562	24,997	14,565
Materials and Supplies	16,200	16,000	4,533	11,467
Capital Outlay	1,000	1,000	100	900
Total Licenses and Permits	<u>301,762</u>	<u>302,262</u>	<u>273,470</u>	<u>28,792</u>
Economic Development				
Contractual Services	40,000	19,400	10,369	9,031
Total Community Environment	<u>341,762</u>	<u>321,662</u>	<u>283,839</u>	<u>37,823</u>
Leisure Time Activities				
Dogwood Shelter:				
Contractual Services	19,500	19,500	16,043	3,457
Capital Outlay	3,000	3,000	2,263	737
Total Dogwood Shelter	<u>22,500</u>	<u>22,500</u>	<u>18,306</u>	<u>4,194</u>
Swimming Pool:				
Personal Services	114,950	119,455	117,462	1,993
Contractual Services	44,050	44,250	40,812	3,438
Materials and Supplies	34,300	33,800	30,836	2,964
Capital Outlay	6,500	6,500	5,321	1,179
Other	400	400	0	400
Total Swimming Pool	<u>\$200,200</u>	<u>\$204,405</u>	<u>\$194,431</u>	<u>\$9,974</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, 2002*

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Park Department:				
Personal Services	\$336,800	\$338,000	\$333,804	\$4,196
Contractual Services	79,200	86,800	72,665	14,135
Materials and Supplies	18,800	18,400	15,215	3,185
Capital Outlay	5,175	5,175	4,149	1,026
Total Park Department	<u>439,975</u>	<u>448,375</u>	<u>425,833</u>	<u>22,542</u>
Civic Center:				
Personal Services	77,200	77,200	74,848	2,352
Contractual Services	65,650	66,990	49,363	17,627
Materials and Supplies	4,665	4,665	4,594	71
Capital Outlay	5,500	5,500	4,558	942
Total Civic Center	<u>153,015</u>	<u>154,355</u>	<u>133,363</u>	<u>20,992</u>
Recreation Department:				
Personal Services	89,400	93,150	91,991	1,159
Contractual Services	25,200	21,800	16,442	5,358
Materials and Supplies	10,433	10,402	6,198	4,204
Capital Outlay	1,400	1,400	944	456
Total Recreation Department	<u>126,433</u>	<u>126,752</u>	<u>115,575</u>	<u>11,177</u>
Total Leisure Time Activities:	<u>942,123</u>	<u>956,387</u>	<u>887,508</u>	<u>68,879</u>
Total Expenditures	<u>6,604,591</u>	<u>6,602,372</u>	<u>5,976,432</u>	<u>625,940</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,433,949</u>	<u>1,436,168</u>	<u>3,806,885</u>	<u>2,370,717</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	74,650	74,650
Transfers Out	(4,100,000)	(4,100,000)	(4,100,000)	0
Total Other Financing Sources (Uses)	<u>(4,100,000)</u>	<u>(4,100,000)</u>	<u>(4,025,350)</u>	<u>74,650</u>
Net Change in Fund Balance	<u>(2,666,051)</u>	<u>(2,663,832)</u>	<u>(218,465)</u>	<u>2,445,367</u>
Fund Balance Beginning of Year	<u>12,796,288</u>	<u>12,796,288</u>	<u>12,796,288</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>34,639</u>	<u>34,639</u>	<u>34,639</u>	<u>0</u>
Fund Balance End of Year	<u>\$10,164,876</u>	<u>\$10,167,095</u>	<u>\$12,612,462</u>	<u>\$2,445,367</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, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$166,876	\$166,876	\$170,218	\$3,342
Ambulance Fees	75,000	75,000	87,795	12,795
Intergovernmental	19,500	19,500	24,133	4,633
Other	0	0	9,352	9,352
<i>Total Revenues</i>	261,376	261,376	291,498	30,122
Expenditures				
Current:				
Public Health and Welfare:				
Personal Services	868,500	868,500	825,387	43,113
Contractual Services	56,394	65,776	56,522	9,254
Materials and Supplies	42,500	42,500	22,479	20,021
Capital Outlay	39,200	39,200	34,167	5,033
Other	25,000	15,200	0	15,200
<i>Total Expenditures</i>	1,031,594	1,031,176	938,555	92,621
<i>Excess of Revenues Under Expenditures</i>	(770,218)	(769,800)	(647,057)	122,743
Other Financing Sources				
Transfers In	550,000	550,000	550,000	0
<i>Net Change in Fund Balance</i>	(220,218)	(219,800)	(97,057)	122,743
<i>Fund Balance Beginning of Year</i>	253,936	253,936	253,936	0
Prior Year Encumbrances Appropriated	1,094	1,094	1,094	0
<i>Fund Balance End of Year</i>	\$34,812	\$35,230	\$157,973	\$122,743

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, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$2,000	\$2,000	\$0	(\$2,000)
Expenditures				
Capital Outlay:				
Contractual Services	466,744	443,730	48,791	394,939
Capital Outlay	4,165,638	4,165,184	2,708,413	1,456,771
<i>Total Expenditures</i>	4,632,382	4,608,914	2,757,204	1,851,710
<i>Excess of Revenues Under Expenditures</i>	(4,630,382)	(4,606,914)	(2,757,204)	1,849,710
Other Financing Sources				
Transfers In	2,700,000	2,700,000	2,700,000	0
<i>Net Change in Fund Balance</i>	(1,930,382)	(1,906,914)	(57,204)	1,849,710
<i>Fund Balance Beginning of Year</i>	1,831,152	1,831,152	1,831,152	0
Prior Year Encumbrances Appropriated	617,543	617,543	617,543	0
<i>Fund Balance End of Year</i>	\$518,313	\$541,781	\$2,391,491	\$1,849,710

City of North Canton
Schedule of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Water Revenue Fund
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$3,101,000	\$3,601,000	\$3,715,346	\$114,346
Tap-In Fees	90,000	90,000	83,015	(6,985)
Interest	0	0	9,282	9,282
Sale of Capital Assets	5,000	5,000	500	(4,500)
Proceeds from Note Sale	7,300,000	7,300,000	1,250,000	(6,050,000)
Other	4,000	33,535	56,432	22,897
<i>Total Revenues</i>	<u>10,500,000</u>	<u>11,029,535</u>	<u>5,114,575</u>	<u>(5,914,960)</u>
Expenses				
Personal Services	1,440,700	1,435,700	1,349,357	86,343
Contractual Services	850,519	1,255,619	874,571	381,048
Materials and Supplies	472,529	429,522	354,526	74,996
Capital Outlay	7,820,433	7,488,468	2,730,183	4,758,285
Other	4,000	8,400	5,897	2,503
Debt Service:				
Principal Retirement	1,372,900	1,378,900	1,378,887	13
Interest and Fiscal Charges	110,900	104,900	104,781	119
<i>Total Expenses</i>	<u>12,071,981</u>	<u>12,101,509</u>	<u>6,798,202</u>	<u>5,303,307</u>
<i>Net Change in Fund Equity</i>	(1,571,981)	(1,071,974)	(1,683,627)	(611,653)
<i>Fund Equity Beginning of Year</i>	425,676	425,676	425,676	0
Prior Year Encumbrances Appropriated	<u>1,258,732</u>	<u>1,258,732</u>	<u>1,258,732</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$112,427</u>	<u>\$612,434</u>	<u>\$781</u>	<u>(\$611,653)</u>

City of North Canton
Schedule of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Sewer Revenue Fund
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$1,500,000	\$1,500,000	\$1,582,991	\$82,991
Tap-In Fees	74,000	74,000	64,731	(9,269)
Other	1,000	1,000	1,686	686
<i>Total Revenues</i>	1,575,000	1,575,000	1,649,408	74,408
Expenses				
Personal Services	348,300	353,400	344,358	9,042
Contractual Services	1,177,725	1,172,177	903,009	269,168
Materials and Supplies	15,157	15,127	13,488	1,639
Capital Outlay	795,005	795,005	639,493	155,512
Other	2,500	2,750	1,302	1,448
<i>Total Expenses</i>	2,338,687	2,338,459	1,901,650	436,809
<i>Net Change in Fund Equity</i>	(763,687)	(763,459)	(252,242)	511,217
<i>Fund Equity Beginning of Year</i>	1,223,337	1,223,337	1,223,337	0
Prior Year Encumbrances Appropriated	30,388	30,388	30,388	0
<i>Fund Equity End of Year</i>	\$490,038	\$490,266	\$1,001,483	\$511,217

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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$550,000	\$550,000	\$543,751	(\$6,249)
Operating Grants	0	0	45,557	45,557
<i>Total Revenues</i>	550,000	550,000	589,308	39,308
Expenses				
Personal Services	44,950	45,450	43,498	1,952
Contractual Services	651,900	649,900	587,763	62,137
Materials and Supplies	2,127	2,127	1,748	379
Other	500	2,000	1,971	29
<i>Total Expenses</i>	699,477	699,477	634,980	64,497
<i>Net Change in Fund Equity</i>	(149,477)	(149,477)	(45,672)	103,805
<i>Fund Equity Beginning of Year</i>	169,364	169,364	169,364	0
Prior Year Encumbrances Appropriated	27	27	27	0
<i>Fund Equity End of Year</i>	\$19,914	\$19,914	\$123,719	\$103,805

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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$91,217	\$91,217	\$93,001	\$1,784
Intergovernmental	11,000	11,000	12,344	1,344
Other	0	0	1,689	1,689
<i>Total Revenues</i>	<i>102,217</i>	<i>102,217</i>	<i>107,034</i>	<i>4,817</i>
Expenditures				
Current:				
Security of Persons and Property				
Fire:				
Personal Services	382,600	378,400	341,127	37,273
Contractual Services	72,118	76,109	70,619	5,490
Materials and Supplies	23,100	21,800	19,062	2,738
Capital Outlay	39,012	59,012	56,864	2,148
Other	20,000	1,400	0	1,400
<i>Total Expenditures</i>	<i>536,830</i>	<i>536,721</i>	<i>487,672</i>	<i>49,049</i>
<i>Excess of Revenues</i>				
<i>Under Expenditures</i>	(434,613)	(434,504)	(380,638)	53,866
Other Financing Sources				
Transfers In	310,000	310,000	310,000	0
<i>Net Change in Fund Balance</i>	(124,613)	(124,504)	(70,638)	53,866
<i>Fund Balance Beginning of Year</i>	172,370	172,370	172,370	0
Prior Year Encumbrances Appropriated	118	118	118	0
<i>Fund Balance End of Year</i>	<i>\$47,875</i>	<i>\$47,984</i>	<i>\$101,850</i>	<i>\$53,866</i>

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, 2002

	<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	\$8,000	\$8,000	\$10,265	\$2,265
Expenditures				
Current:				
General Government:				
Computer:				
Contractual Services	9,600	9,600	3,189	6,411
Materials and Supplies	5,000	5,000	1,004	3,996
Capital Outlay	1,000	1,000	119	881
<i>Total Expenditures</i>	<u>15,600</u>	<u>15,600</u>	<u>4,312</u>	<u>11,288</u>
<i>Net Change in Fund Balance</i>	(7,600)	(7,600)	5,953	13,553
<i>Fund Balance Beginning of Year</i>	13,151	13,151	13,151	0
Prior Year Encumbrances Appropriated	<u>600</u>	<u>600</u>	<u>600</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,151</u></u>	<u><u>\$6,151</u></u>	<u><u>\$19,704</u></u>	<u><u>\$13,553</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, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$3,000	\$3,000	\$1,902	(\$1,098)
Expenditures				
Current:				
Security of Persons and Property:				
Police:				
Contractual Services	7,000	7,000	1,313	5,687
Materials and Supplies	3,000	3,000	2,580	420
Capital Outlay	4,000	4,000	1,975	2,025
<i>Total Expenditures</i>	14,000	14,000	5,868	8,132
<i>Net Change in Fund Balance</i>	(11,000)	(11,000)	(3,966)	7,034
<i>Fund Balance Beginning of Year</i>	13,895	13,895	13,895	0
<i>Fund Balance End of Year</i>	\$2,895	\$2,895	\$9,929	\$7,034

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, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$475,000	\$475,000	\$421,667	(\$53,333)
Other	0	0	12,900	12,900
<i>Total Revenues</i>	<u>475,000</u>	<u>475,000</u>	<u>434,567</u>	<u>(40,433)</u>
Expenditures				
Current:				
Transportation:				
Personal Services	687,400	667,400	625,212	42,188
Contractual Services	148,156	159,940	104,392	55,548
Materials and Supplies	200,500	227,300	215,801	11,499
Capital Outlay	79,130	79,130	66,809	12,321
Other	20,000	1,000	0	1,000
<i>Total Expenditures</i>	<u>1,135,186</u>	<u>1,134,770</u>	<u>1,012,214</u>	<u>122,556</u>
<i>Excess of Revenues Under Expenditures</i>	(660,186)	(659,770)	(577,647)	82,123
Other Financing Sources				
Transfers In	540,000	540,000	540,000	0
<i>Net Change in Fund Balance</i>	(120,186)	(119,770)	(37,647)	82,123
<i>Fund Balance Beginning of Year</i>	134,923	134,923	134,923	0
Prior Year Encumbrances Appropriated	5,555	5,555	5,555	0
<i>Fund Balance End of Year</i>	<u>\$20,292</u>	<u>\$20,708</u>	<u>\$102,831</u>	<u>\$82,123</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, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$99,969	\$99,969	\$102,626	\$2,657
Intergovernmental	9,000	9,000	10,409	1,409
<i>Total Revenues</i>	108,969	108,969	113,035	4,066
Expenditures				
Current:				
Basic Utility Services				
Contractual Services	29,000	40,650	33,372	7,278
Materials and Supplies	13,000	11,200	6,032	5,168
Capital Outlay	126,062	116,212	111,791	4,421
<i>Total Expenditures</i>	168,062	168,062	151,195	16,867
<i>Net Change in Fund Balance</i>	(59,093)	(59,093)	(38,160)	20,933
<i>Fund Balance Beginning of Year</i>	105,294	105,294	105,294	0
Prior Year Encumbrances Appropriated	6,061	6,061	6,061	0
<i>Fund Balance End of Year</i>	\$52,262	\$52,262	\$73,195	\$20,933

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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$99,969	\$99,969	\$102,626	\$2,657
Intergovernmental	9,000	9,000	10,409	1,409
<i>Total Revenues</i>	108,969	108,969	113,035	4,066
Expenditures				
Current:				
Transportation:				
Personal Services	32,000	17,000	0	17,000
Capital Outlay	89,000	104,000	103,365	635
<i>Total Expenditures</i>	121,000	121,000	103,365	17,635
<i>Net Change in Fund Balance</i>	(12,031)	(12,031)	9,670	21,701
<i>Fund Balance Beginning of Year</i>	43,011	43,011	43,011	0
<i>Fund Balance End of Year</i>	\$30,980	\$30,980	\$52,681	\$21,701

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, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$100,000	\$100,000	\$0	(\$100,000)
Expenditures				
Current:				
Transportation:				
Capital Outlay	105,000	105,000	0	105,000
<i>Net Change in Fund Balance</i>	(5,000)	(5,000)	0	5,000
<i>Fund Balance Beginning of Year</i>	5,000	5,000	5,000	0
<i>Fund Balance End of Year</i>	<u>\$0</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
General Trust Fund
For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$2,600	\$2,600	\$6,200	\$3,600
Expenditures				
Current:				
Security of Persons and Property				
Police				
Materials and Supplies	9,239	9,239	0	9,239
Fire				
Materials and Supplies	5,145	5,145	404	4,741
Total Security of Persons and Property	14,384	14,384	404	13,980
Public Health and Welfare:				
E.M.S.:				
Materials and Supplies	275	275	0	275
Leisure Time Activities				
Park Department:				
Materials and Supplies	725	725	0	725
<i>Total Expenditures</i>	15,384	15,384	404	14,980
<i>Net Change in Fund Balance</i>	(12,784)	(12,784)	5,796	18,580
<i>Fund Balance Beginning of Year</i>	19,030	19,030	19,030	0
<i>Fund Balance End of Year</i>	\$6,246	\$6,246	\$24,826	\$18,580

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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$1,000,000	\$1,000,000	\$1,047,854	\$47,854
Other	0	0	2,331	2,331
<i>Total Revenues</i>	1,000,000	1,000,000	1,050,185	50,185
Expenses				
Contractual Services	201,100	201,100	176,321	24,779
Claims	933,000	933,000	796,089	136,911
<i>Total Expenses</i>	1,134,100	1,134,100	972,410	161,690
<i>Net Change in Fund Equity</i>	(134,100)	(134,100)	77,775	211,875
<i>Fund Equity Beginning of Year</i>	251,968	251,968	251,968	0
<i>Fund Equity End of Year</i>	\$117,868	\$117,868	\$329,743	\$211,875

Statistical Section

Statistical Section

The following statistical tables reflect social and economic data, financial trends and fiscal capacity of the City.

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

	2002		2001	2000
	Full Accrual	Modified Accrual		
Program Revenues				
Charges for Services	\$785,969	N/A	N/A	N/A
Operating Grants and Contributions	444,747	N/A	N/A	N/A
General Revenues				
Taxes (2)	\$7,084,613	\$7,044,991	\$6,502,582	\$7,942,334
Charges for Services	N/A	327,248	312,693	305,120
Licenses and Permits	N/A	101,617	118,623	140,905
Fines and Forfeitures	N/A	244,058	91,355	85,999
Intergovernmental	2,142,714	2,486,668	2,364,205	3,400,249
Special Assessments	N/A	0	0	0
Interest	510,963	510,963	835,486	1,019,352
Contributions and Donations	N/A	15,000	22,430	632,568
Ambulance Fee	N/A	113,046	121,875	99,299
Other	76,875	76,875	68,953	33,652
Total	<u>\$11,045,881</u>	<u>\$10,920,466</u>	<u>\$10,438,202</u>	<u>\$13,659,478</u>
Expenses/Expenditures				
Current				
General Government	\$2,186,090	\$1,861,834	\$1,758,108	\$1,601,772
Security of Persons and Property: (3)	N/A	N/A	2,884,587	2,468,042
Police	2,729,059	2,521,968	N/A	N/A
Fire	544,630	494,655	N/A	N/A
Public Health and Welfare	1,073,559	1,071,837	921,120	865,914
Transportation	2,711,933	1,094,539	907,321	936,608
Community Environment	297,363	277,441	302,995	234,491
Leisure Time Activities	1,004,002	871,033	858,485	718,856
Basic Utility Services	110,410	150,837	25,009	35,271
Capital Outlay	0	2,202,853	3,171,010	3,007,454
Settlement Agreement	0	359,336	0	0
Debt Service				
Principal Retirement	0	0	0	0
Total	<u>\$10,657,046</u>	<u>\$10,906,333</u>	<u>\$10,828,635</u>	<u>\$9,868,408</u>

Source: City financial records

- (1) Includes General, Special Revenue, Debt Service and Capital Projects funds.
- (2) Includes All Taxes
- (3) 2002 was the first year subcategories were identified for security of persons and property.

1999	1998	1997	1996	1995	1994	1993
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
\$7,400,779	\$7,904,104	\$7,228,937	\$5,841,224	\$6,029,312	\$5,581,138	\$4,902,460
298,693	400,635	253,450	238,431	241,164	179,138	183,135
157,475	105,826	111,371	143,767	71,156	82,745	92,345
30,110	55,030	44,907	45,639	56,000	61,566	42,041
3,099,228	1,856,415	2,244,674	1,869,637	1,768,828	1,559,343	1,594,470
16,689	21,015	21,015	27,198	30,468	56,005	59,577
707,892	824,450	706,318	634,074	592,556	646,880	655,535
241,294	0	0	0	0	0	0
66,315	0	0	0	0	0	0
10,988	167,709	23,004	11,726	12,362	9,544	15,337
<u>\$12,029,463</u>	<u>\$11,335,184</u>	<u>\$10,633,676</u>	<u>\$8,811,696</u>	<u>\$8,801,846</u>	<u>\$8,176,359</u>	<u>\$7,544,900</u>
\$1,461,342	\$1,540,090	\$1,401,131	\$1,378,480	\$1,338,027	\$1,341,632	\$1,218,920
2,565,366	2,431,410	2,084,016	1,980,589	1,866,027	1,761,500	1,688,448
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
833,863	770,643	679,551	644,628	586,879	565,077	525,160
765,327	691,571	686,623	620,162	658,559	592,019	590,067
237,267	243,869	200,379	199,357	210,060	207,310	193,289
719,554	676,052	607,922	609,101	585,295	530,671	544,879
21,020	13,150	7,291	23,433	16,721	7,373	23,272
3,923,594	3,167,891	2,988,106	2,923,779	3,492,090	5,223,614	2,168,421
0	0	0	0	0	0	0
16,013	17,545	18,288	22,260	24,550	47,065	67,509
<u>\$10,543,346</u>	<u>\$9,552,221</u>	<u>\$8,673,307</u>	<u>\$8,401,789</u>	<u>\$8,778,208</u>	<u>\$10,276,261</u>	<u>\$7,019,965</u>

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

Year	Total Levy	Current Collection (1)	Percent of Current Collections To Tax Levy	Delinquent Collection	Total Collections	Percent of Total Collections To Tax Levy
2002	\$1,337,631	\$1,277,950	95.54%	\$21,724	\$1,299,674	97.16%
2001	1,308,241	1,258,302	96.18	26,061	1,284,363	98.17
2000	1,194,376	1,137,052	95.20	19,721	1,156,773	96.85
1999	1,168,384	1,137,191	97.33	14,902	1,152,093	98.61
1998	1,155,471	1,127,992	97.62	13,862	1,141,854	98.82
1997	1,097,863	1,069,650	97.43	11,155	1,080,805	98.45
1996	1,102,115	1,063,795	96.52	22,686	1,086,481	98.58
1995	1,068,720	1,039,580	97.27	10,959	1,050,539	98.30
1994	1,013,722	982,232	96.89	11,729	993,961	98.05
1993	1,018,730	965,267	94.75	35,964	1,001,231	98.28

Source: Stark County, Ohio; County Auditor

(1) Includes homestead/rollback taxes assessed locally but distributed through the State and reported as intergovernmental revenue.

(2) Includes penalties and interest, since by Ohio Law, they become part of tax obligation as assessment occurs.

<u>Outstanding Delinquent Taxes (2)</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
\$37,957	2.84%
23,878	1.83
37,603	3.15
16,291	1.39
13,617	1.18
17,058	1.55
15,634	1.42
18,181	1.70
19,761	1.95
17,499	1.72

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)
2002	\$295,860,000	\$845,314,286	\$10,192,000	\$11,581,818
2001	286,814,000	819,468,571	12,074,000	13,720,455
2000	242,773,000	693,637,143	12,079,000	13,726,136
1999	235,909,000	674,025,714	13,799,000	15,680,682
1998	231,869,000	662,482,857	13,823,000	15,707,955
1997	205,234,000	586,382,857	14,365,000	16,323,864
1996	202,098,000	577,422,857	15,108,000	17,168,182
1995	198,364,000	566,754,286	16,140,000	18,340,909
1994	181,987,000	519,962,857	15,912,000	18,081,818
1993	177,754,000	507,868,571	15,872,000	18,036,364

Source: Stark County, Ohio; County Auditor

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

Tangible Personal Property		Total		Ratio
Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value	
\$32,029,000	\$128,116,000	\$338,081,000	\$985,012,104	34.32%
30,382,000	121,528,000	329,270,000	954,717,026	34.49
28,524,000	114,096,000	283,376,000	821,459,279	34.50
28,719,000	114,876,000	278,427,000	804,582,396	34.61
28,023,000	112,092,000	273,715,000	790,282,812	34.64
29,170,000	116,680,000	248,769,000	719,386,721	34.58
29,318,000	117,272,000	246,524,000	711,863,039	34.63
27,081,000	108,324,000	241,585,000	693,419,195	34.84
24,260,000	97,040,000	222,159,000	635,084,675	34.98
24,025,000	96,100,000	217,651,000	622,004,935	34.99

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
2002	\$2.40	\$0.50	\$1.00	\$1.00	\$1.00	\$5.90
2001	2.40	0.50	1.00	1.00	1.00	5.90
2000	2.40	0.50	1.00	1.00	1.00	5.90
1999	2.40	0.50	1.00	1.00	1.00	5.90
1998	2.40	0.50	1.00	1.00	1.00	5.90
1997	2.40	0.50	1.00	1.00	1.00	5.90
1996	2.40	0.50	1.00	1.00	1.00	5.90
1995	2.40	0.50	1.00	1.00	1.00	5.90
1994	2.40	0.50	1.00	1.00	1.00	5.90
1993	2.40	0.50	1.00	1.00	1.00	5.90

Source: Stark County, Ohio; County Auditor

<u>Stark County</u>	<u>North Canton City School District</u>	<u>North Canton Library</u>	<u>Township</u>	<u>Total Direct and Overlapping Governments</u>
\$10.10	\$65.50	\$0.50	\$0.10	\$82.10
10.10	61.10	0.50	0.10	77.70
10.10	61.20	0.50	0.10	77.80
10.10	61.90	0.50	0.10	78.50
10.10	61.90	0.50	0.10	78.50
9.80	61.90	0.50	0.10	78.20
10.30	61.90	0.50	0.10	78.70
8.40	61.90	0.50	0.10	76.80
9.40	57.20	0.50	0.10	73.10
9.40	57.20	0.50	0.10	73.10

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

Year	Total Assessments Billed	Total Assessments Collected	Percentage of Total Collections to Current Levy	Accumulative Delinquency
2002	\$2,243	\$2,243	100.00%	\$0
2001	1,866	1,792	96.03	74
2000	2,621	2,371	90.46	250
1999	16,228	16,689	102.84	0
1998	21,476	21,015	97.85	461
1997	21,881	21,015	96.04	866
1996	23,291	22,260	95.57	1,031
1995	31,613	30,468	96.38	1,145
1994	59,237	56,005	94.54	3,232
1993	63,342	58,243	91.95	5,099

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, 2002

Assessed Valuation	<u><u>\$338,081,000</u></u>
Overall Debt Limitation 10.5% of Assessed Valuation	\$35,498,505
Amount of Debt Applicable	<u>0</u>
Overall Debt Margin Within 10.5% Limitation	<u><u>\$35,498,505</u></u>
Unvoted Debt Limitation - 5.5% of Assessed Valuation	\$18,594,455
Amount of Debt Applicable	<u>0</u>
Unvoted Debt Margin Within 5.5% Limitation	<u><u>\$18,594,455</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, 2002

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Amount Applicable to City of North Canton</u>
Overlapping:			
Stark County	\$3,675,054	5.19	\$190,736
Jackson Local School District	35,363,629	0.34	120,236
North Canton City School District	18,844,795	52.22	9,840,752
Plain Local School District	65,355,000	4.76	3,110,898
Plain Township	720,000	34.97	251,784
Stark County Library	<u>6,540,000</u>	0.95	<u>62,130</u>
<i>Total</i>	<u><u>\$130,498,478</u></u>		<u><u>\$13,576,536</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

<u>Year</u>	<u>Commercial Construction (1)</u>		<u>Residential Construction (1)</u>		<u>Bank Deposits (in thousands) (2,3,4)</u>
	<u>Number of Building Permits</u>	<u>Dollar Value of Building Permits</u>	<u>Number of Building Permits</u>	<u>Dollar Value of Building Permits</u>	
2002	99	\$3,342,641	413	\$15,464,205	\$2,153,245
2001	97	13,464,027	320	13,758,743	1,029,891
2000	101	19,727,804	421	14,704,616	1,021,596
1999	69	15,805,041	420	23,429,735	916,844
1998	31	7,182,504	387	15,524,616	843,638
1997	31	13,283,305	426	7,172,166	1,623,273
1996	23	22,381,394	415	12,087,768	1,570,223
1995	21	3,517,573	431	5,687,075	1,589,558
1994	24	7,602,784	415	5,713,508	848,654
1993	18	7,172,549	422	5,841,724	803,704

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

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

City of North Canton, Ohio
Principal Taxpayers - Real Property
December 31, 2002

Taxpayer	Assessed Value	Percent of Assessed Value
Maytag Corporation - Hoover Company	\$8,750,630	2.96%
Versailles Gardens	4,251,040	1.44
McKinley Development Leasing Co. Ltd.	3,241,790	1.10
Albrecht Incorporated	2,315,010	0.78
Potsdamer Platz LLC	2,055,630	0.69
Waterford at Saint Luke	1,864,950	0.63
Berlin Commons Ltd.	1,661,540	0.56
First Friends Church of Canton	1,498,540	0.51
Williamsburg Apartments Ltd.	1,462,240	0.49
CETA Group Limited Partnership	1,328,150	0.45
<i>Totals</i>	<u>\$28,429,520</u>	<u>9.61%</u>
Assessed Valuation	<u>\$295,860,000</u>	

Source: Stark County, Ohio; County Auditor

City of North Canton, Ohio
Principal Taxpayers - Tangible Personal Property
December 31, 2002

Taxpayer	Assessed Value	Percent of Assessed Value
Maytag Corporation - Hoover Company	\$20,185,100	63.02%
Spitzer Chevrolet Company	756,040	2.36
Kmart Corporation	691,120	2.16
Timer Warney Entertainment Company	576,690	1.80
Marc Glassman Inc.	520,080	1.62
Willis Motor Company	516,960	1.61
General Electric Capital Business	514,010	1.60
IBM Credit Corporation	405,430	1.27
Fred W. Albrect Grocery Company	359,150	1.12
Harry London Candies, Inc.	255,450	0.80
<i>Totals</i>	<u>\$24,780,030</u>	<u>77.36%</u>
Assessed Valuation	<u>\$32,029,000</u>	

Source: Stark County, Ohio; County Auditor

City of North Canton, Ohio
Principal Taxpayers - Public Utility Property
December 31, 2002

Taxpayer	Assessed Value	Percent of Assessed Value
Ohio Bell Telephone	\$5,371,908	52.71%
Ohio Power Company	4,221,025	41.42
East Ohio Company	599,067	5.87
<i>Totals</i>	\$10,192,000	100.00%
Assessed Valuation	\$10,192,000	

Source: Stark County, Ohio; County Auditor

City of North Canton, Ohio

Demographic Statistics

Last Ten Years

<u>Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Stark County Unemployment Rate</u>
2002	16,369	4,872	5.50%
2001	16,369	4,654	4.00
2000	16,369	4,714	3.80
1999	15,750	4,635	4.50
1998	15,750	4,630	4.10
1997	15,740	4,472	4.80
1996	15,736	4,346	5.40
1995	15,735	4,254	5.00
1994	15,720	4,170	5.90
1993	15,486	4,160	6.80

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

City of North Canton, Ohio

Miscellaneous Statistics

December 31, 2002

Date of Incorporation	1962
Form of Government	Mayor-Council
Area:	6.37 Square Miles 3,987,047 Acres
Miles of Streets	93.30
Number of Street Lights	1,127
Number of Traffic Lights	24
Emergency Medical Service:	
Number of Stations	1
Number of Technicians and Officers:	
Full-Time	9
Part-Time	23
Fire Protection:	
Number of Stations	1
Number of Firemen and Officers:	
Full-Time	4
Part-Time	27
Police Protection:	
Number of Stations	1
Number of Policemen and Officers:	
Full-Time	25
Part-Time	3
Employees:	
Full-Time	115
Part-Time	80
Municipal Water Department:	
Number of Consumers	8,103
Miles of Water Mains	123.00
Average Daily Gallons Sold Per Consumer	330.00
Sewers:	
Number of Sanitary Sewer Customers	6,970
Miles of Sanitary Sewers	61.60
Miles of Storm Sewers	46.50

(continued)

City of North Canton, Ohio
Miscellaneous Statistics (continued)
December 31, 2002

Building Permits Issued:	
Residential	413
Commercial	99
Recreation and Culture:	
Number of Parks	11
Acres	191.35
Number of Public Libraries	1
Number of Volumes:	
Book Volumes	96,060
Compact Disc Recordings	10,353
Video Cassetts/DVD's	12,031
Compact Disc ROMS	1,076
Education:	
Attendance Centers	7
Number of Classrooms	281
Number of Administrators	22
Number of Teachers	312
Number of Students	4,872

Source: City Records



**Auditor of State
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CITY OF NORTH CANTON

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 23, 2003**