



Dave Yost • Auditor of State

**City of North Canton
Stark County, Ohio**

**Financial Forecast
For the Years Ending December 31, 2014 Through December 31, 2018**

Local Government Services Section

**City of North Canton
Stark County, Ohio
Financial Forecast**

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Dave Yost • Auditor of State

City Council
City of North Canton
145 North Main Street
North Canton, Ohio 44720

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the City of North Canton for the years ending December 31, 2014 through December 31, 2018. The City of North Canton's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund arising from cash transactions of the City of North Canton for the years ended December 31, 2014, 2015, 2016, 2017, and 2018, were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on it. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the City's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

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

DAVE YOST
Auditor of State

October 27, 2014

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Financial Forecast

City of North Canton - Stark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2011 through 2013, Actual; and
Ending December 31, 2014 through 2018, Forecasted
General Fund

	2011 Actual	2012 Actual	2013 Actual
Revenues			
Property Taxes	\$796,000	\$762,000	\$713,000
Municipal Income Tax	4,148,000	4,395,000	4,570,000
Intergovernmental	2,602,000	1,720,000	930,000
Charges for Services	527,000	488,000	430,000
Fees, Licenses and Permits	273,000	370,000	438,000
Investment Income	32,000	15,000	20,000
Other	70,000	1,000	157,000
Total Revenues	<u>8,448,000</u>	<u>7,751,000</u>	<u>7,258,000</u>
Expenditures			
Current:			
Security of Persons and Property			
Police Department			
Personal Services	1,860,000	1,876,000	1,934,000
Fringe Benefits	646,000	667,000	757,000
Contractual Services	135,000	135,000	134,000
Materials and Supplies	88,000	116,000	107,000
Total Police Department	<u>2,729,000</u>	<u>2,794,000</u>	<u>2,932,000</u>
Police Administration			
Personal Services	48,000	47,000	47,000
Fringe Benefits	18,000	20,000	20,000
Contractual Services	0	1,000	0
Materials and Supplies	5,000	5,000	5,000
Total Police Administration	<u>71,000</u>	<u>73,000</u>	<u>72,000</u>
School Patrol			
Personal Services	33,000	34,000	34,000
Fringe Benefits	5,000	5,000	5,000
Total School Patrol	<u>38,000</u>	<u>39,000</u>	<u>39,000</u>
Street Lighting			
Contractual Services	142,000	160,000	135,000
Total Security of Persons and Property	<u>\$2,980,000</u>	<u>\$3,066,000</u>	<u>\$3,178,000</u>

2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted	2018 Forecasted
\$708,000	\$710,000	\$710,000	\$710,000	\$710,000
4,624,000	4,485,000	4,627,000	4,773,000	4,925,000
1,515,000	429,000	429,000	429,000	429,000
445,000	471,000	471,000	471,000	471,000
525,000	454,000	454,000	454,000	454,000
23,000	23,000	23,000	23,000	23,000
98,000	60,000	60,000	60,000	60,000
<u>7,938,000</u>	<u>6,632,000</u>	<u>6,774,000</u>	<u>6,920,000</u>	<u>7,072,000</u>
1,851,000	1,908,000	1,991,000	2,025,000	2,033,000
737,000	767,000	801,000	814,000	828,000
157,000	157,000	157,000	157,000	157,000
107,000	112,000	116,000	120,000	125,000
<u>2,852,000</u>	<u>2,944,000</u>	<u>3,065,000</u>	<u>3,116,000</u>	<u>3,143,000</u>
48,000	38,000	34,000	34,000	35,000
21,000	20,000	19,000	19,000	19,000
0	0	0	0	0
4,000	4,000	4,000	4,000	4,000
<u>73,000</u>	<u>62,000</u>	<u>57,000</u>	<u>57,000</u>	<u>58,000</u>
26,000	27,000	27,000	27,000	27,000
2,000	2,000	2,000	2,000	2,000
<u>28,000</u>	<u>29,000</u>	<u>29,000</u>	<u>29,000</u>	<u>29,000</u>
<u>143,000</u>	<u>145,000</u>	<u>148,000</u>	<u>151,000</u>	<u>154,000</u>
<u>\$3,096,000</u>	<u>\$3,180,000</u>	<u>\$3,299,000</u>	<u>\$3,353,000</u>	<u>\$3,384,000</u>

(continued)

City of North Canton - Stark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2011 through 2013, Actual; and
Ending December 31, 2014 through 2018, Forecasted
General Fund (continued)

	2011 Actual	2012 Actual	2013 Actual
Public Health and Welfare			
County Health District			
Contractual Services	\$102,000	\$102,000	\$105,000
Leisure Time Activities			
Dogwood Shelter			
Contractual Services	15,000	13,000	15,000
Swimming Pool			
Personal Services	115,000	117,000	110,000
Fringe Benefits	18,000	18,000	17,000
Contractual Services	51,000	42,000	46,000
Materials and Supplies	40,000	42,000	35,000
Total Swimming Pool	224,000	219,000	208,000
Park Maintenance			
Personal Services	157,000	125,000	124,000
Fringe Benefits	41,000	38,000	40,000
Contractual Services	85,000	98,000	93,000
Materials and Supplies	25,000	24,000	20,000
Total Park Maintenance	308,000	285,000	277,000
Civic Center			
Personal Services	7,000	0	0
Fringe Benefits	5,000	0	0
Contractual Services	38,000	42,000	41,000
Materials and Supplies	3,000	2,000	1,000
Total Civic Center	53,000	44,000	42,000
Recreation Department			
Personal Services	80,000	72,000	75,000
Fringe Benefits	25,000	27,000	28,000
Contractual Services	8,000	6,000	7,000
Materials and Supplies	7,000	12,000	6,000
Total Recreation Department	\$120,000	\$117,000	\$116,000

2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted	2018 Forecasted
\$104,000	\$104,000	\$104,000	\$104,000	\$104,000
12,000	14,000	14,000	14,000	14,000
147,000	149,000	151,000	152,000	154,000
23,000	23,000	23,000	24,000	24,000
37,000	44,000	44,000	44,000	44,000
38,000	39,000	41,000	42,000	44,000
245,000	255,000	259,000	262,000	266,000
119,000	120,000	121,000	123,000	124,000
39,000	40,000	40,000	40,000	41,000
110,000	110,000	110,000	110,000	110,000
22,000	23,000	24,000	25,000	26,000
290,000	293,000	295,000	298,000	301,000
0	0	0	0	0
0	0	0	0	0
52,000	43,000	43,000	43,000	43,000
2,000	2,000	2,000	2,000	2,000
54,000	45,000	45,000	45,000	45,000
77,000	78,000	79,000	64,000	60,000
29,000	30,000	30,000	29,000	27,000
10,000	10,000	10,000	10,000	10,000
13,000	14,000	14,000	15,000	15,000
\$129,000	\$132,000	\$133,000	\$118,000	\$112,000

(continued)

City of North Canton - Stark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2011 through 2013, Actual; and
Ending December 31, 2014 through 2018, Forecasted
General Fund (continued)

	2011 Actual	2012 Actual	2013 Actual
Recreation Program			
Contractual Services	\$7,000	\$6,000	\$4,000
Materials and Supplies	1,000	0	0
Total Recreation Program	8,000	6,000	4,000
Total Leisure Time Activities	728,000	684,000	662,000
Community Environment			
Licenses and Permits			
Personal Services	156,000	184,000	166,000
Fringe Benefits	37,000	47,000	51,000
Contractual Services	19,000	22,000	27,000
Materials and Supplies	11,000	5,000	8,000
Total Licenses and Permits	223,000	258,000	252,000
Planning Commission			
Contractual Services	2,000	1,000	1,000
Economic Development			
Personal Services	47,000	1,000	0
Fringe Benefits	11,000	0	0
Contractual Services	37,000	74,000	45,000
Materials and Supplies	2,000	3,000	2,000
Total Economic Development	97,000	78,000	47,000
Total Community Environment	322,000	337,000	300,000
General Government			
Mayor's Office			
Personal Services	61,000	58,000	52,000
Fringe Benefits	33,000	36,000	34,000
Contractual Services	6,000	7,000	7,000
Materials and Supplies	1,000	0	1,000
Total Mayor's Office	\$101,000	\$101,000	\$94,000

2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted	2018 Forecasted
\$4,000 0	\$4,000 0	\$4,000 0	\$4,000 0	\$4,000 0
4,000	4,000	4,000	4,000	4,000
734,000	743,000	750,000	741,000	742,000
278,000	397,000	390,000	394,000	398,000
81,000	134,000	132,000	133,000	135,000
35,000	35,000	35,000	35,000	35,000
8,000	9,000	9,000	9,000	10,000
402,000	575,000	566,000	571,000	578,000
1,000	1,000	1,000	1,000	1,000
0	0	0	0	0
0	0	0	0	0
45,000	45,000	45,000	45,000	45,000
2,000	2,000	2,000	2,000	2,000
47,000	47,000	47,000	47,000	47,000
450,000	623,000	614,000	619,000	626,000
55,000	55,000	55,000	56,000	56,000
22,000	23,000	23,000	23,000	23,000
8,000	8,000	8,000	8,000	8,000
0	1,000	1,000	1,000	1,000
\$85,000	\$87,000	\$87,000	\$88,000	\$88,000

(continued)

City of North Canton - Stark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2011 through 2013, Actual; and
Ending December 31, 2014 through 2018, Forecasted
General Fund (continued)

	2011 Actual	2012 Actual	2013 Actual
Director of Administration			
Personal Services	\$57,000	\$90,000	\$66,000
Fringe Benefits	14,000	31,000	24,000
Contractual Services	12,000	10,000	9,000
Materials and Supplies	3,000	1,000	1,000
Total Director of Administration	<u>86,000</u>	<u>132,000</u>	<u>100,000</u>
Director of Finance			
Personal Services	105,000	105,000	85,000
Fringe Benefits	38,000	44,000	37,000
Contractual Services	46,000	37,000	35,000
Materials and Supplies	3,000	2,000	3,000
Total Director of Finance	<u>192,000</u>	<u>188,000</u>	<u>160,000</u>
Electronic Data Processing			
Contractual Services	10,000	10,000	17,000
Materials and Supplies	2,000	1,000	0
Total Electronic Data Processing	<u>12,000</u>	<u>11,000</u>	<u>17,000</u>
Law Department			
Personal Services	59,000	35,000	48,000
Fringe Benefits	13,000	13,000	11,000
Contractual Services	40,000	89,000	21,000
Materials and Supplies	2,000	3,000	2,000
Total Law Department	<u>114,000</u>	<u>140,000</u>	<u>82,000</u>
Council			
Personal Services	72,000	72,000	74,000
Fringe Benefits	98,000	74,000	88,000
Contractual Services	28,000	35,000	39,000
Materials and Supplies	2,000	2,000	3,000
Total Council	<u>\$200,000</u>	<u>\$183,000</u>	<u>\$204,000</u>

2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted	2018 Forecasted
\$54,000	\$55,000	\$55,000	\$56,000	\$56,000
22,000	22,000	23,000	23,000	23,000
9,000	9,000	9,000	9,000	9,000
1,000	1,000	1,000	1,000	2,000
86,000	87,000	88,000	89,000	90,000
96,000	109,000	116,000	111,000	112,000
42,000	52,000	55,000	53,000	54,000
35,000	35,000	35,000	35,000	35,000
3,000	3,000	3,000	3,000	4,000
176,000	199,000	209,000	202,000	205,000
9,000	9,000	9,000	9,000	9,000
1,000	1,000	1,000	1,000	1,000
10,000	10,000	10,000	10,000	10,000
46,000	47,000	47,000	48,000	48,000
8,000	8,000	8,000	9,000	9,000
31,000	31,000	31,000	31,000	31,000
2,000	2,000	2,000	2,000	2,000
87,000	88,000	88,000	90,000	90,000
82,000	82,000	82,000	82,000	83,000
17,000	17,000	17,000	17,000	18,000
26,000	26,000	26,000	26,000	26,000
2,000	2,000	2,000	2,000	2,000
\$127,000	\$127,000	\$127,000	\$127,000	\$129,000

(continued)

City of North Canton - Stark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2011 through 2013, Actual; and
Ending December 31, 2014 through 2018, Forecasted
General Fund (continued)

	2011 Actual	2012 Actual	2013 Actual
Civil Service Commission			
Personal Services	\$5,000	\$4,000	\$5,000
Fringe Benefits	2,000	2,000	2,000
Contractual Services	4,000	7,000	2,000
Total Civil Service Commission	11,000	13,000	9,000
City Hall Maintenance			
Contractual Services	97,000	87,000	97,000
Materials and Supplies	3,000	3,000	3,000
Total City Hall Maintenance	100,000	90,000	100,000
Engineering Department			
Personal Services	174,000	141,000	132,000
Fringe Benefits	56,000	52,000	44,000
Contractual Services	43,000	39,000	58,000
Materials and Supplies	8,000	20,000	13,000
Total Engineering Department	281,000	252,000	247,000
Other General Government			
Fringe Benefits (Workers' Compensation)	77,000	67,000	64,000
Contractual Services	231,000	184,000	181,000
Total Other General Government	308,000	251,000	245,000
Total General Government	1,405,000	1,361,000	1,258,000
Debt Service:			
Principal Retirement	770,000	60,000	60,000
Interest and Fiscal Charges	64,000	30,000	28,000
<i>Total Debt Service</i>	834,000	90,000	88,000
<i>Total Expenditures</i>	\$6,371,000	\$5,640,000	\$5,591,000

<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>	<u>2018</u> <u>Forecasted</u>
\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
1,000	1,000	1,000	1,000	1,000
3,000	3,000	3,000	3,000	3,000
8,000	8,000	8,000	8,000	8,000
94,000	94,000	95,000	96,000	97,000
6,000	6,000	6,000	7,000	7,000
100,000	100,000	101,000	103,000	104,000
129,000	131,000	135,000	133,000	134,000
44,000	45,000	46,000	46,000	46,000
33,000	43,000	43,000	43,000	43,000
13,000	13,000	14,000	15,000	15,000
219,000	232,000	238,000	237,000	238,000
80,000	85,000	88,000	89,000	90,000
193,000	207,000	222,000	239,000	256,000
273,000	292,000	310,000	328,000	346,000
1,171,000	1,230,000	1,266,000	1,282,000	1,308,000
65,000	65,000	70,000	70,000	75,000
25,000	23,000	21,000	17,000	13,000
90,000	88,000	91,000	87,000	88,000
\$5,645,000	\$5,968,000	\$6,124,000	\$6,186,000	\$6,252,000

(continued)

City of North Canton - Stark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2011 through 2013, Actual; and
Ending December 31, 2014 through 2018, Forecasted
General Fund (continued)

	2011 Actual	2012 Actual	2013 Actual
<i>Excess of Revenues Over Expenditures</i>	<u>\$2,077,000</u>	<u>\$2,111,000</u>	<u>\$1,667,000</u>
Other Financing Sources (Uses)			
General Obligation Bonds Issued	717,000	0	0
Transfers Out	<u>(910,000)</u>	<u>(2,672,000)</u>	<u>(1,830,000)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(193,000)</u>	<u>(2,672,000)</u>	<u>(1,830,000)</u>
<i>Changes in Fund Balance</i>	1,884,000	(561,000)	(163,000)
<i>Fund Balance Beginning of Year</i>	<u>638,000</u>	<u>2,522,000</u>	<u>1,961,000</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,522,000</u></u>	<u><u>\$1,961,000</u></u>	<u><u>\$1,798,000</u></u>

<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>	<u>2018</u> <u>Forecasted</u>
<u>\$2,293,000</u>	<u>\$664,000</u>	<u>\$650,000</u>	<u>\$734,000</u>	<u>\$820,000</u>
<u>0</u> <u>(1,629,000)</u>	<u>0</u> <u>(1,127,000)</u>	<u>0</u> <u>(939,000)</u>	<u>0</u> <u>(953,000)</u>	<u>0</u> <u>(967,000)</u>
<u>(1,629,000)</u>	<u>(1,127,000)</u>	<u>(939,000)</u>	<u>(953,000)</u>	<u>(967,000)</u>
<u>664,000</u>	<u>(463,000)</u>	<u>(289,000)</u>	<u>(219,000)</u>	<u>(147,000)</u>
<u>1,798,000</u>	<u>2,462,000</u>	<u>1,999,000</u>	<u>1,710,000</u>	<u>1,491,000</u>
<u>\$2,462,000</u>	<u>\$1,999,000</u>	<u>\$1,710,000</u>	<u>\$1,491,000</u>	<u>\$1,344,000</u>

City of North Canton – Stark County, Ohio
Summary of Significant Forecast Assumptions and Accounting Policies
For the Years Ending December 31, 2014 through 2018

Note 1 – The City

The City of North Canton (the City) is located in Northeast Ohio in Stark County and was incorporated as a city in 1962 under the laws of the State of Ohio. In 1960 the voters of North Canton adopted a charter, which was amended several times, to govern the operations of the City. The charter provides for an elected mayor and council (four wards and three at-large). Council members and the mayor serve two year terms.

The City provides various services and consists of many different activities and smaller accounting entities. Among those included are a police force, a fire fighting force and emergency medical services, a water treatment plant, a street maintenance force, a park and recreation system, and a staff to provide the necessary support to these service providers. Each of these activities and entities is under the direct control of City Council, which appropriates for, and finances, their operation.

Note 2 – Nature of Presentation

The financial forecast presents, to the best of the knowledge and belief of the City’s management and elected officials whose operations are financed by the general fund, the expected revenues, expenditures and changes in fund balance of the general fund for the years ending December 31, 2014 through December 31 2018. Accordingly, the forecast reflects the management’s judgment of the expected conditions and its expected course of action as of October 27, 2014, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts and disbursements, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the City is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

The City maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

City of North Canton – Stark County, Ohio
Summary of Significant Forecast Assumptions and Accounting Policies
For the Years Ending December 31, 2014 through 2018

Governmental Funds

General Fund – The general fund is the operating fund of the City and is used to account for and report all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Funds – Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds – Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

Permanent Funds – Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other organizations.

Proprietary Funds

Enterprise Funds – Enterprise funds may be used to account for and report any activity for which a fee is charged to external users for goods or services.

Internal Service Funds – Internal service funds account for and report the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee capacity or as an agency for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

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C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources – On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the City, which states the projected receipts of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations – A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by City Council. The temporary appropriation ordinance remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the City Council. The appropriation ordinance may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

Encumbrances – The City uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 4 – Significant Assumptions for Revenues and Other Financing Sources

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property in the City. The County Treasurer collects property taxes for all taxing districts in the County. The City may request advances from the Stark County Auditor as the taxes are collected. When settlements are made, any amounts remaining to be distributed to the City are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the City for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

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All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2012 for taxes collected in 2013. The next triennial update will take place in 2015 for taxes collected in 2016 with the next reappraisal scheduled for 2018. The City's assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	2010	2011	2012	2013
Real Property	\$371,543,640	\$370,809,850	\$369,585,960	\$345,700,830
Public Utility	7,086,110	7,086,110	7,443,350	8,047,470
Total Assessed Value	<u>\$378,629,750</u>	<u>\$377,895,960</u>	<u>\$377,029,310</u>	<u>\$353,748,300</u>

The property tax revenues are generated from inside and voted millage and receipted into the general fund, fire operating levy fund, EMS levy fund, the storm sewer levy fund, and the street levy fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Fund	Tax Levies	Full Tax Rate (Per \$1,000 of Assessed Valuation)
General Fund	Inside Ten Mill Limitation (Unvoted)	\$2.40
Storm Sewer Improvement Levy Fund	Current Expense (2010)	1.00
Street Improvement Levy Fund	Current Expense (2005)	1.00
EMS Operating Fund	Current Expense (2010)	1.50
EMS Operating Fund	Current Expense (2012)	1.00
Fire Operating Fund	Current Expense (2012)	0.50
Total Tax Rate		<u>\$7.40</u>

Public utility real and personal property taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies.

Real Property - Real property taxes are forecasted to decrease slightly in 2014 from 2013 due to slight decreases in real property assessed values, based on the estimates from the County Auditor. The property values are expected to remain the same through 2018 due to the overall economy of the City. Although the County updates or reappraises property values every three years, historically, property values have been stagnant and they are expected to remain stagnant during the forecasted period.

B. Municipal Income Taxes

The City levies and collects a municipal income tax of one and a half percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as income of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another

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municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a final return annually. Income tax revenues are to be allocated as follows: after paying all costs associated with the operation of the income tax department, the balance of collections on the first one percent of tax is to be allocated thirty percent to the capital improvement fund and seventy percent to the general fund. Collections on the remaining one half percent shall be allocated for the payment of debt service on bonds outstanding, the capital improvement of waterworks, and to the extent not so appropriated, for general municipal operations and capital improvements as determined by City Council.

Income tax is anticipated to increase in 2014, but then a drop is forecasted for 2015. There is pending State legislation that if approved, would cause a significant decrease in the City's income tax revenues, which is expected and forecasted to take effect in 2015 and thereafter. The primary change from this legislation would be the ability for taxpayers to carry forward a net operating loss for up to five years, which is not currently allowed by the City's income tax rules. While 2015 is expected to decrease, the remaining years of the forecast period are expected to increase each year due to expected increases in overall employment and wage levels within the City.

C. Intergovernmental Revenues

Intergovernmental revenues include local government monies, property tax allocations for rollback, homestead, and tangible personal property tax loss reimbursements, grants, and estate tax. The local government funds are distributed monthly by the State to the County and by the County Auditor to the City. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor.

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the City for the loss of real property taxes caused by the homestead and rollback tax relief programs.

In tax collection year 2008, the State granted an additional homestead exemption for the first \$25,000 in market value. This exemption increases property tax allocation receipts and decreases general property tax receipts by an equal amount.

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The State Budget bill for fiscal years 2008 and 2009 replaced the percentage of tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. In 2011, HB153 made reductions in the local government funding for fiscal years 2012 and 2013. These reductions were approximately 25 percent and 50 percent less than 2011 funding amounts for 2012 and 2013, respectively. Due to fluctuations in the State budget, and based upon revenue received in the first half of 2014, a decrease of two percent is anticipated for 2014. 2015 and beyond is anticipated to be similar to the 2013 level of revenue.

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The City received significant intergovernmental revenue in prior years due to the estate tax. This revenue source was phased out by the State for deaths after December 31, 2012. Due to the time needed to settle and process estates, the City still received estate tax during 2013 and 2014, in the amounts of \$487,699, and \$1,087,845, respectively. No estate tax revenue is anticipated for 2015 and beyond.

D. Charges for Services – Charges for services represent pool collections, pool concessions, park shelter and civic center rentals, and rent received from the golf course operator. These revenues are anticipated to increase overall in 2014, due to an increase in civic center rentals over 2013, which offset lower pool collections. The remaining years of the forecast are anticipated to be higher than 2014, as pool collections were unusually low in 2014 due to a cool and rainy summer season.

E. Fees, Licenses and Permits – Fees, licenses and permits receipts represent building and housing permits, Mayor’s court fees, and various other fees and permits. Fees, licenses, and permits are anticipated to increase in 2014 as the economy recovers and more building permits are needed throughout the City. It is expected that revenue will decrease slightly in 2015 as several 2014 building projects are completed and then remain at this level for the remainder of the forecast period.

F. Investment Income – Interest receipts are expected to be minimal due to very low interest rates and a relatively static cash balance throughout the forecast period.

G. Other – Other revenues consist mainly of various refunds and reimbursements which are projected to remain consistent for 2015 through 2018. 2014 is forecasted to be higher due to a one-time refund from the Bureau of Worker’s Compensation.

H. Proceeds of Bonds – The City issued general obligation bonds for real estate acquisition in 2011. No additional debt issuances are anticipated during the forecast period.

Note 5 – Expenditure Assumptions - All Funds

A. Personal Services

Personal services include the salaries paid to the employees and elected officials of the City relating to regular wages, overtime wages, personal hours, sick conversion hours and longevity for those who qualify. The City’s employees and elected officials, other than City Council and Civil Service Commission members, are paid on a bi-weekly basis. City Council and Civil Service Commission members are paid monthly. City Council, by ordinance, sets the salary or hourly rates and other forms of compensation, such as paid leave.

The City has labor agreements with the Fraternal Order of Police (FOP) Ohio Labor Council, Incorporated, the Ohio Patrolmen’s Benevolent Association (OPBA), the North Canton Service and Clerical Employees (NCS&CE), and the Clerical, Fiscal, and Accounting Specialists (CF&AS). All agreements expired on July 31, 2014. Bargaining unit employees are paid longevity based on years of service, provided they have the required years of experience and have been with the City prior to specified dates outlined in the contracts.

No increases are expected for the elected officials within the forecast period. The forecast assumes that all bargaining unit members will continue to receive wage increases of one percent per year throughout the forecast period. A wage increase of one percent has also been forecasted each year for non-bargaining employees for 2015 through 2018. Each additional one percent increase is expected to cost the City an average of approximately \$37,000 and \$16,000 for bargaining and non-bargaining unit employees, respectively, per year over the forecast period as opposed to having no wage increases.

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B. Fringe Benefits

Fringe benefits include employer contributions to the State pension systems, workers' compensation, unemployment, Medicare, health insurance, and life insurance. A uniform allowance is also included for police department employees.

All employees and/or elected officials, except police and fire, participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the City is required to contribute 14 percent (the maximum) of their annual salary.

Police and fire employees participate in the Ohio Police and Fire Retirement System (OP&F). OP&F provides basic retirement, disability, 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. Employees are required to contribute 10.75 percent (the maximum) of their annual salary and the City is required to contribute 19.5 percent for police and 24 percent for fire (the maximum) of their annual salary. Pension related expenditures are expected to increase over the forecast period due to expected increases in overall wages earned.

Workers' compensation coverage is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. Similar to the pension-related benefits, workers' compensation is expected to increase as overall wages increase. With pensions, workers' compensation, and Medicare all factored together, each additional one percent increase to wages is expected to cost the City an average of approximately \$8,000 and \$3,000 for bargaining and non-bargaining unit employees, respectively, each year over the forecast period.

A third-party administrator reviews all medical, dental, and vision claims which are then paid by the City. An excess coverage insurance (stop-loss) policy covers claims in excess of \$50,000 per employee and \$1,000,000 in aggregate. The benefit is paid by the health insurance fund and is based on historical cost information and third-party administrator estimates. The fund that pays the salary for the employee transfers an amount per employee, per month to the health insurance fund. The City's health insurance costs are forecasted to rise one percent annually for each year of the forecast period based on historical trends.

C. Contractual Services

Contractual services include utility charges (street lighting, telephone, internet, electricity, and natural gas), postage, advertising, legal fees, auditor and treasurer fees, professional services, and accounting and auditing services. The City has worked to constrain spending in as many areas as possible over the last several years and plans to continue to do so in the future. However, some small increases in contractual services are forecasted as the price of some services will rise over time, based on historical data and utility rate contracts.

D. Materials and Supplies

Materials and supplies expenditures include office supplies, operating supplies, fuel, emergency medical service supplies, information technology supplies, and repair and maintenance costs. Materials and supplies are anticipated to increase in 2014, based on spending trends over the past twelve months. Materials and supplies are expected to increase each year of the remainder of the forecast period, based upon historical data.

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E. Debt Service

The City has a general obligation bond issued for real estate acquisition. The debt service payments are made from the general fund.

Principal and interest requirements to retire the bonds at December 31, 2014, are as follows:

Year Ending December 31	General Obligation Bond	
	Principal	Interest
2014	\$65,000	\$25,000
2015	65,000	23,000
2016	70,000	21,000
2017	70,000	17,000
2018	75,000	13,000
2019-2020	165,000	14,000
Total	\$510,000	\$113,000

Note 6 – Transfers

The City expects to transfer the following amounts from the general fund during the forecast period:

Transfer to:	Year				
	2014	2015	2016	2017	2018
Fire Operating Fund	\$400,000	\$454,000	\$463,000	\$474,000	\$484,000
EMS Operating Fund	25,000	67,000	67,000	67,000	67,000
Street Construction, Maintenance, and Repair Fund	180,000	191,000	194,000	197,000	201,000
Compensated Absences Fund	236,000	215,000	215,000	215,000	215,000
Storm Sewer Fund	0	200,000	0	0	0
Capital Improvement Fund	788,000	0	0	0	0
Total	\$1,629,000	\$1,127,000	\$939,000	\$953,000	\$967,000

The transfers to the fire operating, EMS operating, and street construction, maintenance, and repair funds are to support the operations of those funds. Transfers to the fire operating and street construction, maintenance, and repair funds are anticipated to increase as the employee costs in those funds are rising while revenues remain stagnant. Transfers to the EMS operating fund for 2014 are based upon the current year budget, while the remaining years are based upon historical data. Unlike the two funds mentioned previously, the City can increase amounts charged for services in the EMS operating fund if costs continue to rise.

Transfers to the compensated absences fund are to fund current and future severance payments for eligible employees. The transfer for 2014 is based on the current year budget. Transfers to this fund for the remainder of the forecast period are based upon expected retirements and the City's goal to maintain a reserve in the fund equal to the future compensated absence liability.

The transfer to the storm sewer fund is only expected to occur once. This funding is needed to repair or replace catch basins throughout the City during 2015.

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Per City ordinance, any estate tax revenue received over \$300,000 per year shall be transferred to the capital improvement fund. As \$1,088,000 has been received so far in 2014, a transfer of \$788,000 is forecasted. Due to the elimination of estate tax by the State legislature, no future transfers to this fund are forecasted.

Note 7 – Other Funds

The City has numerous other funds that account for resources that are restricted for specific purposes. Most of these funds are anticipated to have sufficient resources to meet their obligations during the forecasted period. Certain funds are anticipated to have expenditures exceeding revenues and carryover fund balance during the forecasted period and require an annual transfer. A transfer from general fund to these funds is forecasted, see Note 6.

Self -Insurance Fund

The City provides medical benefits through a self-insured program. The City maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the City. The City pays a monthly premium for each employee into the internal service fund. The premium is paid by the fund that pays the salary for the employee and differs for single and family benefits. Monthly premiums are based on historical information and percentage increases provided by the third party administrator. The fund purchases annual stop loss coverage for claims in excess of \$50,000 per employee, per year and an aggregate of \$1,000,000. The City anticipates the cost of claims to increase over the forecast period, based on estimates provided by the third party administrator. A corresponding increase in premiums paid by the other funds has been included throughout the forecast period to cover the claims and administrative costs. The third party administrator recommends that the City maintain a reserve in the internal service fund of at least \$139,000. The City anticipates maintaining a reserve of \$1,000,000 throughout the forecast period.

Note 8 – Contingencies

A. Litigation

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

B. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position during the forecast period.



Dave Yost • Auditor of State

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
DECEMBER 2, 2014**