



**VILLAGE OF EAST CANTON
STARK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF EAST CANTON
STARK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of East Canton
Stark County
130 South Cedar Street
East Canton, Ohio 44730

To the Village Council:

We have audited the accompanying financial statements of the Village of East Canton, Stark County, (the Village) as of and for the year ended December 31, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2001, on our consideration of the Village'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.

This report is intended solely for the information and use of the audit committee, management, and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 14, 2001

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VILLAGE OF EAST CANTON
STARK COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$319,733					\$319,733
Intergovernmental	81,540	\$115,828		\$11,942		209,310
Charges for Services	150					150
Fines, Licenses, and Permits	28,592	5,799				34,391
Earnings on Investments	31,218	1,422			\$6,119	38,759
Miscellaneous	4,352	143			2,245	6,740
Total Cash Receipts	465,585	123,192	\$0	11,942	8,364	609,083
Cash Disbursements:						
Current:						
Security of Persons and Property	201,987					201,987
Public Health Services	5,158				8,749	13,907
Leisure Time Activities	3,827					3,827
Community Environment	1,015					1,015
Basic Utility Services	1,529					1,529
Transportation		71,443				71,443
General Government	121,135	1,397				122,532
Debt Service:						
Principal Payments				12,516		12,516
Interest Payments				709		709
Capital Outlay	43,362	30,117		20,636		94,115
Total Cash Disbursements	378,013	102,957	0	33,861	8,749	523,580
Total Cash Receipts Over/(Under) Cash Disbursements	87,572	20,235	0	(21,919)	(385)	85,503
Other Financing Receipts/(Disbursements):						
Sale of Fixed Assets	4,607					4,607
Transfers-In	0			319,000		319,000
Advances-In	11,942			11,942		23,884
Transfers-Out	(329,645)					(329,645)
Advances-Out	(11,942)			(11,942)		(23,884)
Total Other Financing Receipts/(Disbursements)	(325,038)	0	0	319,000	0	(6,038)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(237,466)	20,235	0	297,081	(385)	79,465
Fund Cash Balances, January 1, as restated (Note 7)	656,037	66,619	16,410	107,597	120,956	967,619
Fund Cash Balances, December 31	\$418,571	\$86,854	\$16,410	\$404,678	\$120,571	\$1,047,084
Reserves for Encumbrances, December 31	\$47,156	\$2,825	\$0	\$19,038	\$115	\$69,134

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF EAST CANTON
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$230,556		\$230,556
Miscellaneous	2,403		2,403
Total Operating Cash Receipts	<u>232,959</u>	<u>\$0</u>	<u>232,959</u>
Operating Cash Disbursements:			
Personal Services	86,040		86,040
Fringe Benefits	434		434
Contractual Services	114,764		114,764
Supplies and Materials	23,140		23,140
Capital Outlay	26,548		26,548
Total Operating Cash Disbursements	<u>250,926</u>	<u>0</u>	<u>250,926</u>
Operating Loss	<u>(17,967)</u>	<u>0</u>	<u>(17,967)</u>
Non-Operating Cash Receipts:			
Mayor's Court Fines & Costs		43,936	43,936
Miscellaneous	2,357		2,357
Total Non-Operating Cash Receipts	<u>2,357</u>	<u>43,936</u>	<u>46,293</u>
Non-Operating Cash Disbursements:			
Mayor's Court Fines & Costs		41,316	41,316
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(15,610)	2,620	(12,990)
Transfers-In	10,645		10,645
Net Receipts Over/(Under) Disbursements	(4,965)	2,620	(2,345)
Fund Cash Balances, January 1, as restated (Note 7)	116,161	3,570	119,731
Fund Cash Balances, December 31	<u>\$111,196</u>	<u>\$6,190</u>	<u>\$117,386</u>
Reserves for Encumbrances, December 31	<u>\$13,470</u>	<u>\$1,120</u>	<u>\$14,590</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF EAST CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of East Canton, Stark County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water service, park operations (leisure time activities), and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit and the U.S. Treasury Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF EAST CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bond indebtedness. At December 31, 2000, the related debt was satisfied and the Village intends to transfer the remaining balance to the General Fund.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Capital Improvement Fund - This fund receives monies from the General Fund for the payment of capital improvements for the Village.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Park Fund - This expendable trust fund was established from a bequest for the purpose of establishing and maintaining a park for the benefit and use of the residents of the Village.

Mayor's Court Fund - This agency fund is used to record the collection of traffic violation fines which are subsequently disbursed to the proper agency with the remainder to the Village's General Fund.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF EAST CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of the 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2000, was as follows:

Demand deposits	\$ 167,257
Certificates of deposit	<u>626,299</u>
Total deposits	<u>793,556</u>
U.S. Treasury Notes	211,578
STAR Ohio	<u>159,336</u>
Total investments	<u>370,914</u>
Total deposits and investments	<u><u>\$ 1,164,470</u></u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF EAST CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as the owner of these securities. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2000 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 399,827	\$ 482,134	\$ 82,307
Special Revenue	130,927	123,192	(7,735)
Debt Service	0	0	0
Capital Projects	43,532	342,884	299,352
Enterprise	222,000	245,961	23,961
Fiduciary	6,120	8,364	2,244
Total	\$ 802,406	\$ 1,202,535	\$ 400,129

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 975,929	\$ 766,756	\$ 209,173
Special Revenue	190,446	105,782	84,664
Debt Service	16,410	0	16,410
Capital Projects	157,209	64,841	92,368
Enterprise	289,590	264,396	25,194
Fiduciary	122,400	8,864	113,536
Total	\$ 1,751,984	\$ 1,210,639	\$ 541,345

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**VILLAGE OF EAST CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

4. PROPERTY TAX (Continued)

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. RETIREMENT SYSTEMS

The Village's full-time law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). All other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial Inland Marine
- General Liability
- Public Officials Liability
- Employers Liability
- Employee Benefits Liability

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

7. PRIOR PERIOD ADJUSTMENT

Computer costs collected through the Mayor's Court and the related expenses were maintained in the Mayor's Court Agency Fund rather than in the required Special Revenue Fund. In order to properly account for and report the prior period activity, it was necessary to adjust the Special Revenue and Agency Fund Types' fund balances at December 31, 1999 as follows:

	<i>Special Revenue Fund Type</i>	<i>Agency Fund Type</i>
Fund Balance as Previously Reported December 31, 1999	\$65,469	\$4,720
Restatement of Fund Balance	<u>1,150</u>	<u>(1,150)</u>
Restated January 1, 2000	<u>\$66,619</u>	<u>\$3,570</u>

**VILLAGE OF EAST CANTON
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

8. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal and state governments. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



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

Village of East Canton
Stark County
130 South Cedar Street
East Canton, Ohio 44730

To the Village Council:

We have audited the accompanying financial statements of the Village of East Canton, Stark County, (the Village) as of and for the year ended December 31, 2000, and have issued our report thereon dated August 14, 2001. 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 Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 14, 2001.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 14, 2001.

Village of East Canton
Stark County
Report of Independent Accountants 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 Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 14, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF EAST 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 13, 2001**